

The MAGAZINE *of* WALL STREET *and* BUSINESS ANALYST

APRIL 21, 1951

75 CENTS

—WHICH STOCKS—IN WHICH INDUSTRIES

NEW STUDIES OF MAJOR INDUSTRIES

— WITH BREAKDOWN OF FINANCIAL STATEMENTS
OF INDIVIDUAL COMPANIES

★

— IN THIS ISSUE — PHARMACEUTICALS,
LIQUORS, RAIL EQUIPMENTS

SLUMP IN RETAIL TRADE AHEAD?

— WITH A STUDY OF CONSUMER BUYING DURING PAST
YEAR AND PROSPECTS FOR MONTHS AHEAD

By RICHARD COLSTON

★

LEVERAGE FACTOR IN COMMON STOCKS.

— WHEN ATTRACTIVE? WHEN UNWISE SPECULATION?

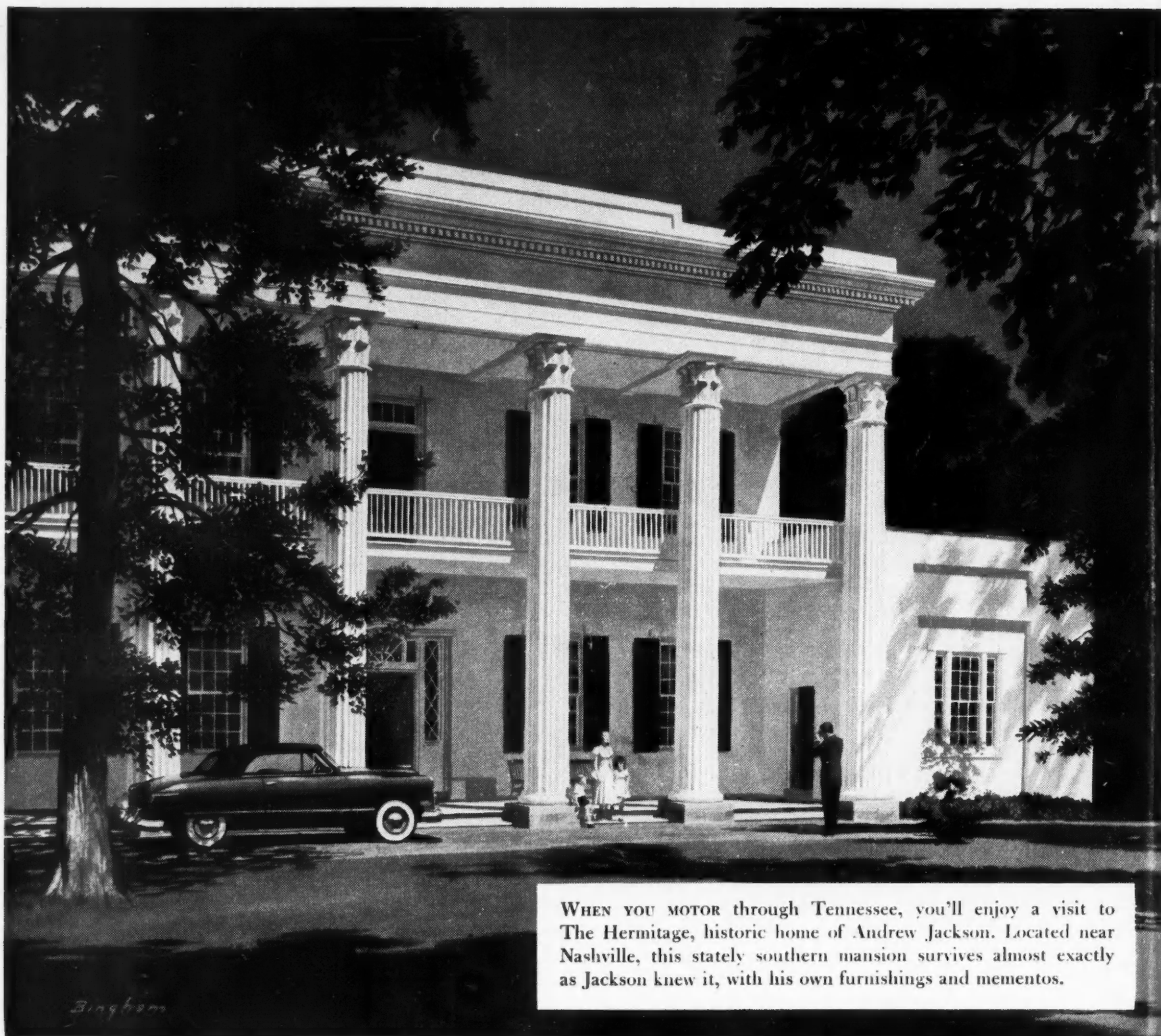
By J. C. CLIFFORD

★

WHY MORE BILLIONS FOR GREATER INDUSTRIAL EXPANSION?

By JOHN D. C. WELDON

MARKET AT MAJOR TURNING POINT:



WHEN YOU MOTOR through Tennessee, you'll enjoy a visit to The Hermitage, historic home of Andrew Jackson. Located near Nashville, this stately southern mansion survives almost exactly as Jackson knew it, with his own furnishings and mementos.

Spring is a fine time of year to motor through Tennessee. And all over the state—from the Mississippi to the Great Smoky Mountains—you'll find Gulf service and hospitality at their very best.

Stop in at the friendly sign of the Orange Disc for famous Gulf products—including Gulfpride,

the world's finest motor oil.

Gulfpride is the *only* motor oil that's Alcholor-processed. This is an *extra* refining step. It makes Gulfpride *extra* pure and *extra* efficient.

You can trust Gulfpride to give your engine *extra* protection, to keep your car running *smoother*!



At home or on the road — use

Gulfpride

the world's finest motor oil!

Gulf Oil Corporation • Gulf Refining Company



THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

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Vol. 88, No. 2

April 21, 1951

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CONTENTS

Trend of Events	65
As I See It! By Robert Guise	67
Market at Major Turning Point? By A. T. Miller	68
Slicing the Corporate Income Pie By Ward Gates	70
Slump in Retail Trade Ahead? By Richard Colston	73
Billions for Greater Industrial Expansion By John D. C. Weldon	76
Happening in Washington By E. K. T.	78
As We Go to Press	79
Leverage Factor in Common Stocks By J. C. Clifford	81
Practical Survey of the Drug Companies By H. S. Coffin	83
Investment Audit of Johns-Manville By Phillip Dobbs	86
Problems of the Liquor Companies By Stanley Devlin	89
Another Look at the Rail Equipments By George W. Mathis	92
For Profit and Income	94
The Business Analyst By E. K. A.	96
Keeping Abreast	101
Answers to Inquiries	103

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by Fritz Henle

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American INVESTMENT COMPANY OF ILLINOIS

82ND CONSECUTIVE DIVIDEND
ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable June 1, 1951, to stockholders of record May 15, 1951.

D. L. BARNES, JR.
Treasurer

April 9, 1951

Financing the Consumer through nation-wide subsidiaries—principally:

Public Loan Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation



Allied Chemical & Dye Corporation 61 Broadway, New York 6, N. Y.

NOTICE OF ANNUAL MEETING

To the Stockholders:

The Annual Meeting of the Stockholders of Allied Chemical & Dye Corporation will be held at the principal office of the Corporation, No. 61 Broadway, Manhattan Borough, New York City, at 1 P.M., on Monday, April 23, 1951, for the purpose of electing directors for the ensuing year and for the transaction of such other business as may properly come before the meeting.

Stockholders of record as of the close of business March 15, 1951, will be entitled to vote at this meeting. The transfer books will not be closed.

W. C. KING, Secretary
Dated, March 15, 1951.

COLUMBIA PICTURES CORPORATION



The Board of Directors at a meeting held April 3, 1951, declared a quarterly dividend of \$1.06¼ per share on the \$4.25 Cumulative Preferred Stock of the company, payable May 15, 1951, to stockholders of record May 1, 1951.

A. SCHNEIDER,
Vice-Pres. and Treas.



THE COLUMBIA GAS SYSTEM, INC.

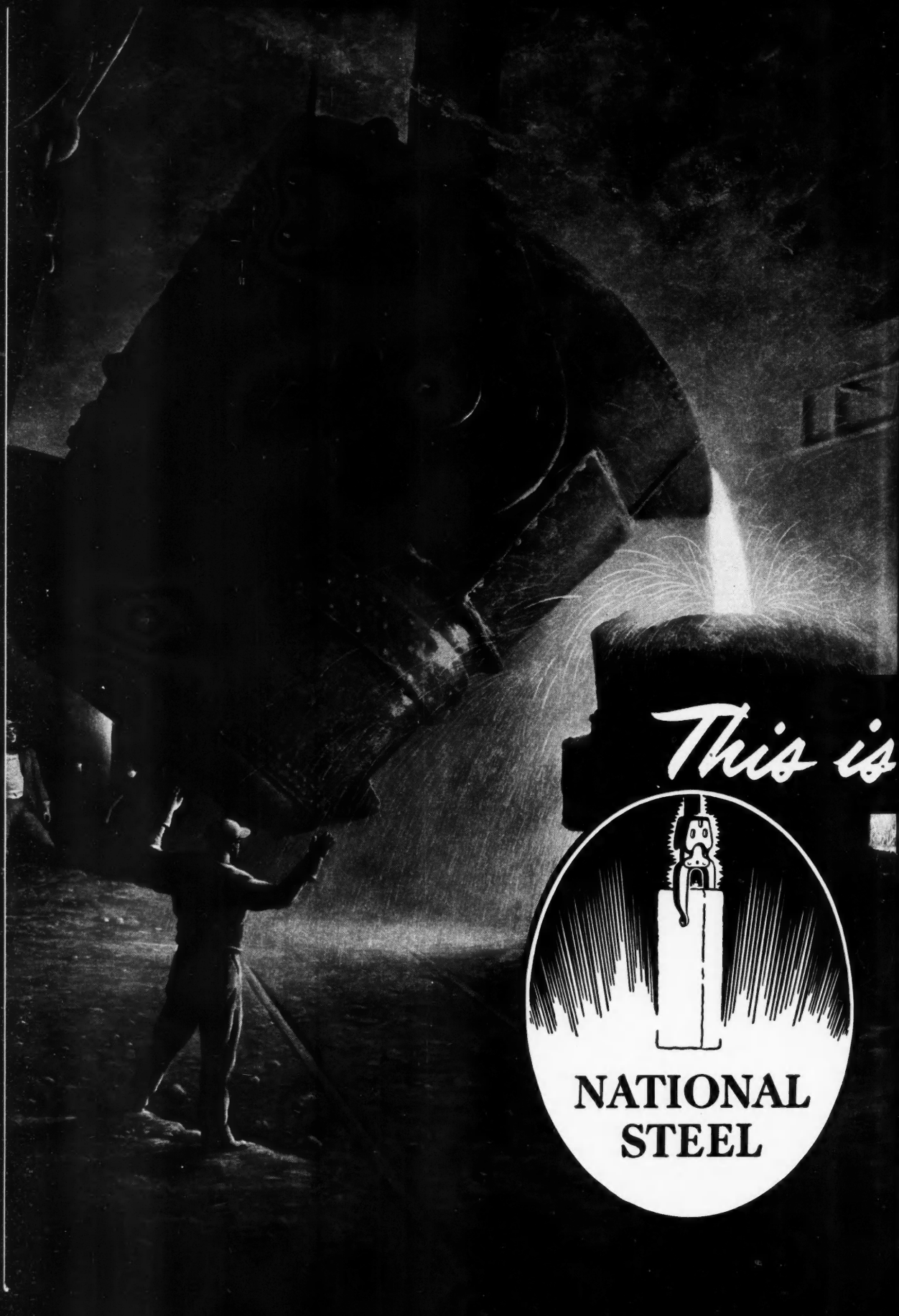
The Board of Directors has declared this day the following regular quarterly dividend:

Common Stock

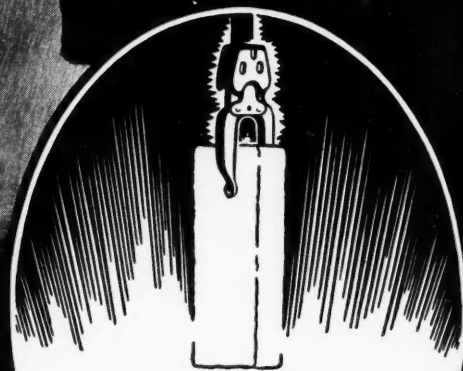
No. 66, 204 per share

payable on May 15, 1951, to holders of record at close of business April 20, 1951.

Dale Parker
Secretary
April 5, 1951



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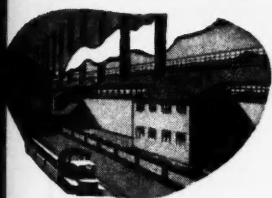
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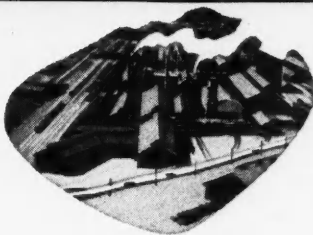
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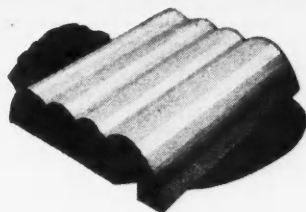
GREAT LAKES STEEL CORP.

Warren, Michigan. The only integrated steel mill in the Detroit area. Produces a wide range of carbon steel products . . . is a major supplier of all types of steel for the automotive industry.



WEIRTON STEEL COMPANY

Mills at Weirton, West Virginia, and Steubenville, Ohio. World's largest independent manufacturer of tin plate. Producer of a wide range of other important steel products.



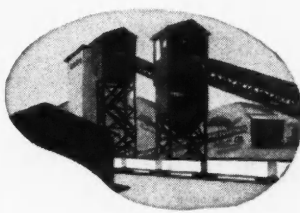
STRAN-STEEL DIVISION

Unit of Great Lakes Steel Corporation. Plants at Ecorse, Michigan, and Terre Haute, Indiana. Exclusive manufacturer of world-famed Quonset buildings and Stran-Steel nailable framing.



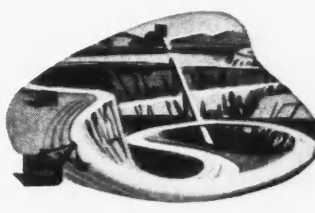
THE HANNA FURNACE CORP.

Buffalo, New York. Blast furnace division. A leading producer of various grades of merchant pig iron for foundry use.



NATIONAL MINES CORP.

Coal mines and properties in Kentucky, West Virginia and Pennsylvania. Supplies high grade metallurgical coal for the tremendous needs of National Steel.



HANNA IRON ORE COMPANY

Cleveland, Ohio. Produces ore from extensive holdings in Great Lakes region. National Steel is also participating in the development of new Labrador-Quebec iron ore fields.

is National Steel

National Steel is a progressive steel producer.

It is progressive in growth and in vision . . . in the development of new methods and the pioneering of new processes. Its record of accomplishment is the record of an important part of the modernization of the steel industry.

A National Steel division installed America's first fully continuous 4-high hot strip mill. It pioneered the electrolytic process of coating steel with protective metals.

Today National Steel operates the largest and fastest electrolytic plating lines in the world . . . is the largest independent producer of tin plate.

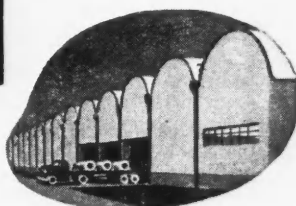
In one year, National Steel put into operation the world's three largest open hearth furnaces. It is now operating a huge 400-ton-per-day oxygen plant—another forward step in steel-producing efficiency.

This is National Steel . . . constantly improving, constantly expanding . . . one of America's largest and most progressive makers of steel.

NATIONAL STEEL
GRANT BUILDING



CORPORATION
PITTSBURGH, PA.



NATIONAL STEEL PRODUCTS CO.

Located in Houston, Texas. Recently erected warehouse covers 208,425 square feet. Provides facilities for distribution of steel products throughout Southwest.

*Serving America
by Serving
American Industry*



THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, MARCH 31, 1951

RESOURCES

Cash and Due from Banks	\$1,435,547,720.10
U. S. Government Obligations.	1,419,840,131.68
State and Municipal Securities	202,666,148.58
Other Securities	219,222,525.29
Mortgages	40,133,701.85
Loans	1,869,667,421.64
Accrued Interest Receivable	10,703,033.61
Customers' Acceptance Liability	32,303,627.17
Banking Houses	28,613,499.12
Other Assets	13,514,880.20
	<u>\$5,272,212,689.24</u>

LIABILITIES

Deposits	\$4,846,660,746.52
Dividend Payable May 1, 1951	2,960,000.00
Reserves—Taxes and Expenses.	16,966,348.20
Other Liabilities	16,706,819.64
Acceptances Outstanding	37,042,858.56
<i>Less: In Portfolio</i>	3,059,600.31
Capital Funds:	
Capital Stock.	\$111,000,000.00
(7,400,000 Shares—\$15 Par)	
Surplus	189,000,000.00
Undivided Profits	54,935,516.63
	<u>354,935,516.63</u>
	<u>\$5,272,212,689.24</u>

United States Government and other securities carried at \$546,290,430.00 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

E. A. KRAUSS, *Managing Editor*



The Trend of Events

LEST WE FORGET . . . The pleasant prospect of a sizeable Treasury surplus in fiscal 1951 as against an originally anticipated substantial deficit should not let us forget the seriousness of the debt situation as a whole, the spectacular rise over the years in the debt of all government—Federal, state and local, the aggregate of which at the end of last year came to about \$281 billion. This figure is big enough to convince even the unwilling of the absolute need for the strictest economy at every level of government with rigid adherence to pay-as-we-go policies to eliminate the need for further borrowing.

The figure cited assumes its full significance if we compare it with the aggregate of governmental debt outstanding around the turn of the century. This total, back in 1902, came to a mere \$3.4 billion of which the indebtedness of the Federal Government represented only about a third. Today, the Federal debt is around \$258 billion, indebtedness of states about \$5.3 billion and that of local governments some \$18.3 billion. The Federal share is more than 90%.

Total government debt has grown more than eighty-fold since the turn of the century, a rate of increase which dwarfs that of any of the economic yardsticks by which national progress can be measured. As a result, it would now take almost a full year's production of the entire economy even at current boom levels to pay off what Federal, state and local governments owe.

Another indication of how the total governmental debt has grown in relation to the man in the street is provided by the fact that the per capita share of all governmental debt came to \$1,865 last year for every man, woman and child in the country. As recently as 1940, it was only \$480, and back in 1902 it was a mere \$43!

Up to the beginning of the first world war, local debt was the biggest single element in the total amount owed by government bodies and exceeded that of the Federal Government by a wide margin. The relationship changed during world war I and the gap widened quite spectacularly in the last decade because of the tremendous cost of world war II. During the latter period, state and local debt actually decreased but turned upward after the war was over, with both now at record high levels.

The trend is still upward; together with the prospect of an ultimately higher Federal debt, this is a bad omen. Economy at the state and local government level is no less imperative today as in Federal spending. The tax burden, of every type, is high enough, coming ever closer to the point of diminishing return. This should be kept in mind by those who think nothing of profligate spending without regard to the taxpayers' plight or the nation's fiscal health and financial stability.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Müller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

TAXES NO INFLATION CURE-ALL . . . The need for strictest economy is all the greater because it should be realized,

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS: : 1907—"Over Forty-three Years of Service"—1951

though it seldom is, that taxes alone are no inflation cure-all. True enough, by paying as we go, we avoid borrowing and thus a further increase in the national debt. But matching Government expenditures with taxes, if there is riotous spending, is also highly inflationary. The simple fact is that taxes always tend to enter into the cost of goods and thus are bound to constitute a price-raising factor. There is ample evidence how the building of permanently high taxes into the economic structure under the New Deal has had a distinct cost-raising effect.

As far as business is concerned, taxes are just another cost item and thus are included in the price of goods. We must also be aware of the tendency of workers to look at their income in terms of take-home pay, that is net income after taxes. If it shrinks because of higher personal income taxes, the cry for compensating wage increases is loud and prompt. Union opposition to emergency wage stabilization reflects this attitude; there is no inclination to disrupt the established practice, and with another tax boost in the offing, a wage freeze is held unacceptable because it would reduce take-home pay.

In short, the cost of Government goes into the cost of every product and service, placing a burden on all consumers. Thus while a pay-as-you-go policy is certainly preferable to deficit financing, it's not an anti-inflation panacea. Pay-as-you-go must also be weighed in terms of the magnitude of spending, for it is illusory to think that we can halt inflation with taxes alone. Strictest economy in spending is equally vital.

In order to get around this dilemma, there is currently much emphasis on excise or sales taxes because such taxes, if imposed on retail sales, do not enter the cost of goods. However, imposing a general sales tax requires political courage. Political demagogues already have denounced a general sales tax as a tax on the poor and advocate only selected sales taxes, no matter how discriminatory. The drawback is that selective sales taxes, as experience has proved, will quickly and seriously reduce their revenue-raising potentials.

CAN FEDERAL OUTLAYS BE CUT? . . . If strict economy, then, is the best policy, to what extent can Federal expenditures be cut? Administration quarters opine that very little leeway exists but many think otherwise. Advocates of economy will appreciate a recent report on this matter by the Committee on Federal Tax Policy which adds its testimony to other studies that Government expenditures can and should be cut. It recommends a reduction of at least \$10 billion from the annual rate of spending represented by the \$71.6 billion budget for fiscal 1952. It also indicates the general areas in which savings might be looked for, as well as a budgetary procedure for making them effective. We recommend the report to our readers.

In reviewing the reducible areas of expenditures, the Committee recommends: (1) A prompt withdrawal of the Federal Government from the lending field, and a limitation of its future operations to servicing and collecting outstanding loans, with an estimated saving in fiscal 1952 of \$1½ billion. (2) A deep cut in the public works program and a suspension of all projects not contributing directly to some essential defense purpose, with a resultant saving of \$750 million. (3) Drastic curtailment of

Federal aid, grants, subsidy and special services programs, largely by making the States responsible for various services now supported by the Federal Government, with an estimated saving of \$3 billion. (4) Immediate application of remaining reforms outlined by the Hoover Commission and a general tightening up of Federal management to eliminate waste, with a saving of \$1 billion.

Adding another \$2 billion in savings resulting from the sale of loans, mortgages and commodities, the Committee reaches a non-defense reduction goal of \$8¼ billion. And it also feels that projected defense outlays could readily be shaved by some \$2 billion without in any way impairing the arms effort, merely by eliminating waste and extravagance in the military budget.

Certainly an attempt should be made to review and revise the budget along these lines. Certainly, also, sizeable cuts can be made without impairing necessary Government functions, and anything unnecessary should be cut out. There is no room for it in these days. In that manner, not only will there be less need for new taxes, but we shall also minimize the inflationary effect which additional taxes are bound to exert.

THE RETURN OF LABOR . . . Organized labor's acceptance of President Truman's invitation to his top-level advisory board on mobilization policy has raised the question whether labor is now willing to bury the hatchet, make up with the Administration and cooperate wholeheartedly in the defense set-up.

Labor's answer has been brief; it insists that "their package is the same." In other words, that they do not intend to pare down their demands. Thus while labor may consider that it has won an important battle, it obviously does not think that its war with Chief Mobilizer Wilson is won. The unions have returned their representatives to the mobilization councils on the theory that the newly created presidential advisory board goes over Mr. Wilson's head and reports direct to the President. But they will likely find this to be more theoretical than real. And it can be put down as a fact that in any dispute between the committee and Mr. Wilson, the President will uphold the latter.

Pressure of public opinion for a new deal in defense mobilization and in anti-inflation policy led to the creation of the presidential advisory board which potentially may assume the role of chief planner and policy maker. But before that happens, many obstacles will have to be overcome. Chief among them, as labor sees it, is the vast grant of power vested in Mr. Wilson. And today, the Board is merely advisory.

Thus the prospect is that the feud between labor and Mr. Wilson is likely to continue with the possibility of new "crises" ahead unless both sides are willing to compromise.

In our view, the key to the future lies in the hands of the President and of Congress, in what they have to propose in the way of a new defense production deal, with specific reference to prices, wages, taxes and the like—all highly controversial matters in the eyes of labor. Mr. Wilson has given evidence that he is willing to share his policy-making authority. An important question is for how much authority labor is angling for, and for how much is it willing to settle. The next few weeks will tell.

As I See It!

BY ROBERT GUISE

LEADERSHIP WITHOUT MATURITY

That is our tragedy at this most critical time in our history! As a result, General MacArthur, one of the few outstanding men with a common sense viewpoint, and with the courage and patriotism to risk his position and future for the love of his country, has been thrown into the discard.

It has been said that General MacArthur's ouster has saved the North Atlantic Alliance, that this therefore must be a blow to Stalin, ever anxious to split the western allies so as to be able to move at will in Europe. Far from that, however, it is apparent that this move is bound to encourage Red aggression and make a larger war far more likely in the future. Certainly our position in Asia has sunk to a new low. Certainly, instead of relying upon ourselves as we must, we are foolish to pin our faith on nations whose leadership and cooperation, as the split over the conduct of the Korean war has shown, is so highly questionable.

It is easily demonstrable that the issue between General MacArthur and the State Department on our policy in Asia involves the security of the United States in a much larger field. In making the original decisions to resist the Red attack in Korea, President Truman apparently intended to extend the Atlantic doctrine to the Pacific area by drawing a line against Communist aggression everywhere. The United Nations supported that position, but Britain apparently has persuaded the State Department to scrap that policy in favor of one of appeasement the moment Red China entered the war.

The sort of game that's now being played not only destroys the whole basis of the United Nations as an instrument against aggression. It would reward instead of punish aggression and render useless all the sacrifices so far brought in the Korean war. Ultimately, also, it would mean a clean sweep for the Reds through all of Asia.

In spite of this dire prospect, and despite all the

denials that no appeasement is contemplated, the fact remains that everything—and particularly the MacArthur dismissal—points to just that. But what if the communists won't be appeased except at a price which we simply cannot afford to pay? We

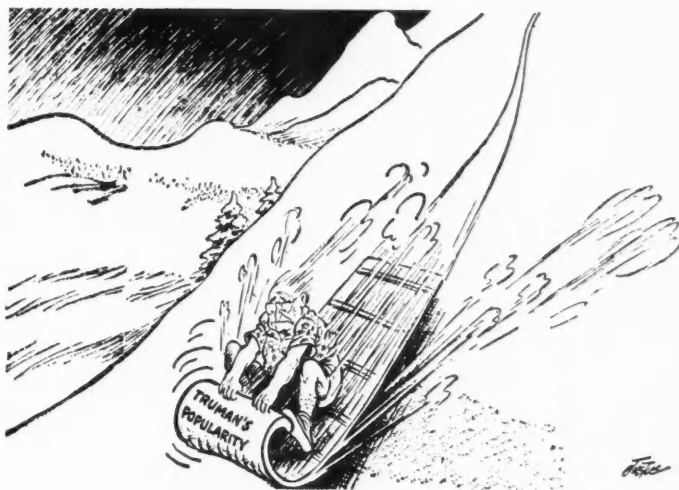
know that so far Peking has rebuffed every effort to talk peace and of late even has refused to make appointments with diplomatic representatives to talk about the subject. We note further that since the MacArthur ouster, Gromyko's attitude at the Paris confab has stiffened markedly. Whereas before, the Russians seemed anxious to arrive at a mutually acceptable agenda, they seem no longer interested. What, then, if the communists don't care to be appeased? If they consider, as

they likely will, MacArthur's dismissal and new peace overtures as indications of weakness. What then?

The simple fact is that Korea is still the key to the situation, that the tide of war will determine diplomatic action rather than vice versa. In turn this proves how full of risk for the West Mr. Truman's action was. Not only may it stiffen enemy resistance in Korea; it might tempt the Kremlin to gamble by pushing for a knock-out in Korea and striking elsewhere in various places. If that happens, we may still have to bomb Manchurian bases as General MacArthur recommended; and we may still have to widen the war even at the risk of all-out Chinese or even Russian participation. In that case, General MacArthur would be triumphantly vindicated.

Mr. Truman has stated his case under the handicap of the perplexities of the situation and also of the sinking prestige of his Administration, of the failures and evidences of corruption on the home front. It is up to the people to declare themselves for a sound policy in which there is no place for appeasement by an unsure (Please turn to page 104)

"FAR FROM THE SUNNY CLIME"



Justus in The Minneapolis Star

Market at Major Turning Point?

In a continuing mixed market, the Dow-Jones industrial average has set a new high, by a fraction, for this cycle. It could be a false move, followed by renewed general correction, as the market's over-all performance is still indecisive at this writing. We see no basis for a sustained upward trend. Hence, our policy remains conservative and selective.

By A. T. MILLER

Short-term gyrations in the market continue to reflect alternating hopes and fears, as well as immediate technical conditions, with the visibility for any significant distance ahead decidedly dim. Since the uptrend highs were made in early February, the list has been in a zig-zag corrective phase, of moderate over-all proportions, for a good many weeks. Following a downward "zag" in the second half of March, there has been an upward "zig" in the fortnight since our last previous analysis was written, taking the composite daily average up about 2½ points. It is a selective affair, taking a few stocks to new 1951 highs and others to new lows; but leaving average stock prices within an indecisive range of fluctuation. On this rally the war-stock groups

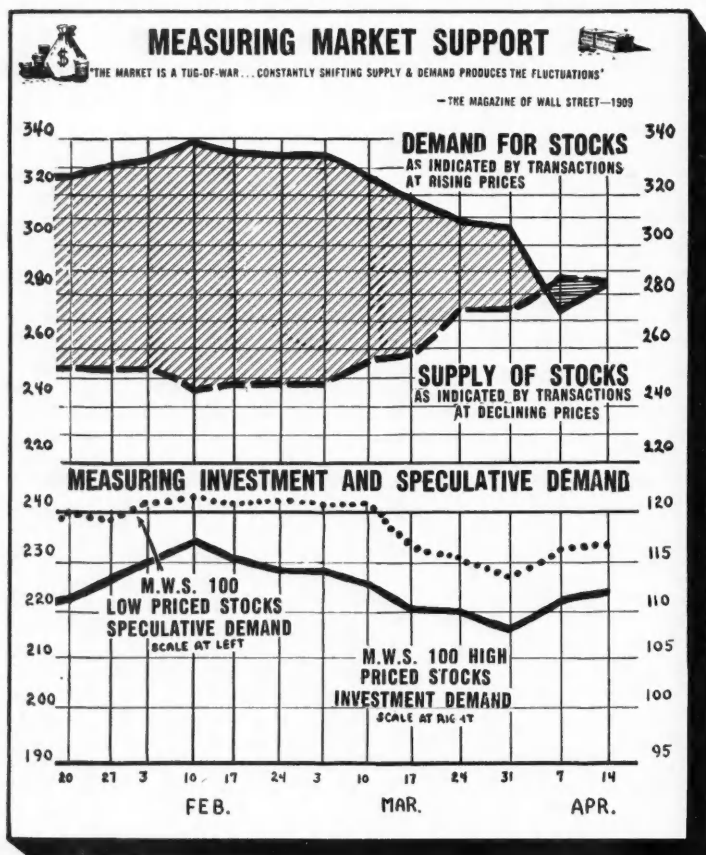
remain relatively out of favor, which is the reverse of the main selective emphasis on the December-February phase of advance. However, the daily industrial average reached a new 1951 high by a fraction at the end of last week.

Why has the market held up, and even worked moderately higher, since the last reaction low in the industrial average was recorded about a month ago, in the face of clear evidence of weakening tendencies in a number of industries, in trade and in key commodity prices; in the face of the first deflationary bond-market adjustment in a good many years; and in the face of growing uncertainty in the international outlook? Probably the answer is that at times purely technical factors, including short-covering and quick-turn trading tactics, permit a perversely illogical performance temporarily. Over the years there have been innumerable "false moves", reversed in no great time.

Conservative Policy Still Valid

Investors will be well advised to keep their feet on the ground, and avoid being unduly impressed by rallies in the present general economic-financial-world environment. This environment argues strongly against the resumption of a sustained upward trend in stock prices. It does not necessarily preclude some further lift in the industrial average, although that possibility remains to prove out. If this view is correct, and we are more than a little confident that it is, the alternatives are a further phase of trading-range fluctuation, whether or not its upper limit to date is raised by a small percentage, or an intermediate decline taking the market at least some distance under the March lows. The immediate evidence suggests that the former is probably a prelude to the latter: that is, that the full correction which our policy allows for has been merely deferred for a time. Foreign news shocks may hold the answer—or one of them—to the question of how long it has been deferred.

Our studies of the over-all demand for stocks, and supply for sale, showed development of a definitely unfavorable relationship within recent weeks, as



shown by the chart on this page; and we question that this indication will now be reversed. Since it had been anticipated in our general policy, under which establishment of reserves of 40% in typical accounts was recommended some time ago, it did not call for further protective action. However, we suggest that readers, especially new ones, who now have more than 60% of common-stock funds invested, should take advantage of rally periods to reduce positions to the advised ratio; and that in all instances it would be a good idea to reexamine portfolios with an eye to weeding out inferior stocks and switching to good-grade issues, within the 60% invested limit recommended. (It is the function of our discussions of individual securities, always found on other pages of each issue of this publication, to provide guidance which can be applied in making selective portfolio adjustments).

The civilian-goods buying rush of recent months has definitely ended, leaving warehouses bulging with excess inventories of many types. It was financed partly by savings and partly by borrowing. The buying power of disposable consumer income, up only moderately on balance since Korea and down for the last several months, will not support anything like the recent peak levels of demand. So it will take fresh inflationary developments to recreate more than a normal volume of trade any time for months to come; and what they could be, short of global war, is impossible to see at present. Indeed, as a result of previous over-buying, trade for an interim period can be duller than the actual income level would normally support; and the repercussions are bound to spread back through much of the civilian economy.

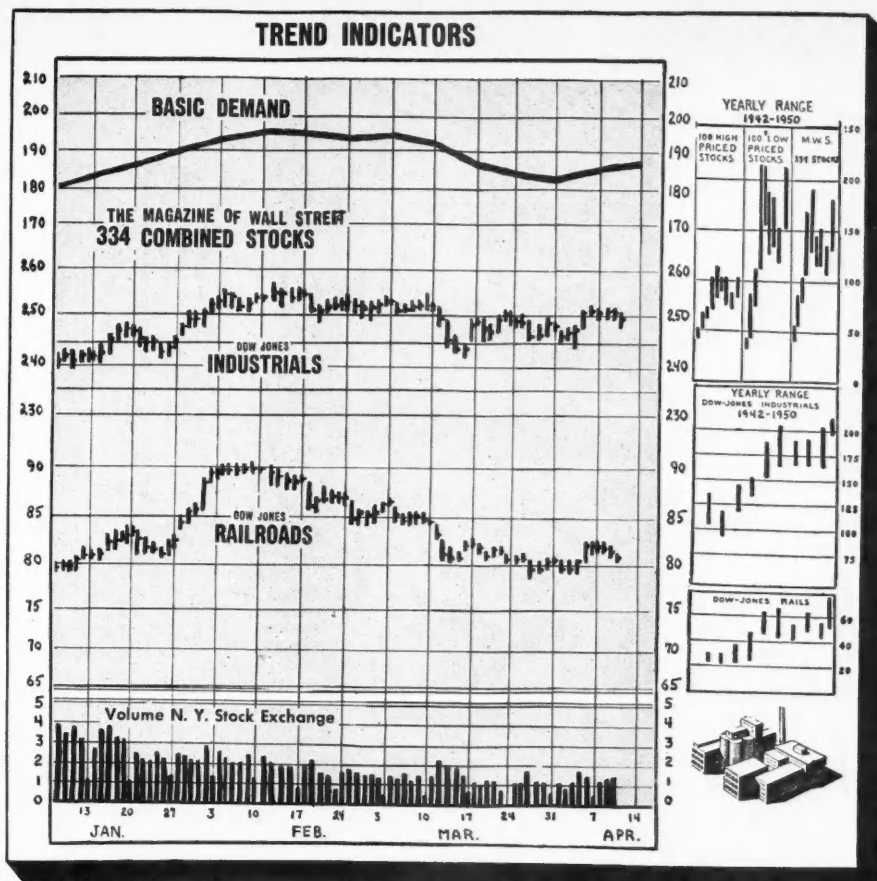
Basic commodity prices have been reactionary or wobbly ever since mid-February; and no basis for fresh inflationary tendencies therein is visible, again barring global war. The number of weak spots has increased. They include textiles and the whole range of home appliances. We have a mortgage-credit situation assuredly dictating a substantial contraction on home building in coming months, with evidence that it has already started. There is an oversupply of bituminous coal, and some price cutting. As indicated by the fall in tin and wool prices, strategic commodities are vulnerable to any stoppage of Government stock-piling purchases, or threat or rumor thereof. For instance, responsible trade sources charge that the Government has enough natural rubber on hand for five years' needs. Since

officials concede that is true, rubber prices have some more bumps coming.

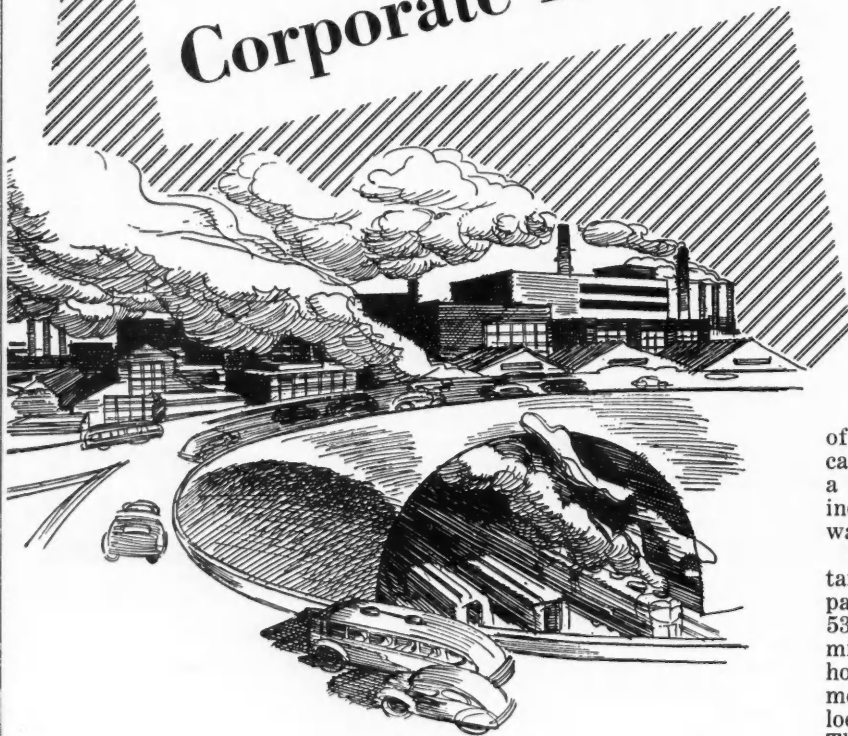
What About Arms Production?

Whether arms production will take up the slack and how soon is uncertain. Defense orders have reached a high level, but arms output is still a small fraction of over-all industrial production. Without full-scale war, it is not likely ever to reach an annual volume over something like 18% to 20% of production. Hence, at least a medium-term shrinkage in total production is by no means impossible. It begins to appear that recent shortage fears were not only premature, but that the maximum impact of the defense program on the consumer-goods supply may well be considerably less than many have expected. As a straw in the wind, the chairman of Armco Steel stated within recent days that any shortage of steel is going to be "mighty temporary", in view of increasing production and the prospect that annual ingot capacity will reach the official goal of 120,000,000 ingot tons as early as late next year.

Without full war, it is probable that maximum defense ordering will have been seen not much later than the middle of this year; and that peak arms output will be attained materially faster than our officials are now willing to tell the public, since they are fearful of a further relaxation of tension and, therefore, presumably of national effort. What is going to happen to the economy when there is the inevitable tapering off of both arms production and plant-expansion outlays, (Please turn to page 104)



Slicing the Corporate Income Pie



By WARD GATES

*H*ow corporate income is distributed among the various partners of corporate enterprise is always a revealing study and doubly so when it refers to a year such as 1950 which saw records tumbling in virtually every direction. Results of that year emphasize that industry not only produced enormous quantities of goods but also enormous payments to others, particularly to labor, the Government and stockholders.

This highlights the unique community of interests which corporate business actually represents. Unfortunately some of these groups do not always view their role in the light of a partnership as indeed it is. Quite often they look at corporate business as something that must be fought or exploited rather than cooperated with in the interest of all. In his contest, the stockholder usually gets the short end regardless of the fact that without him, there would be no corporate business, no jobs for the worker, no taxes to be levied.

In scanning 1950 company reports, we note first of all how greatly the Government has profited from record corporate income. No wonder the Treasury

will have a surplus instead of a deficit in the current fiscal year. To be sure, corporate profits were considerably above 1949 in the great majority of cases but the tax take proportionately rose even more. The faster earnings rose, the deeper Uncle Sam's bite. Just look at the examples listed in Table I; they tell an eloquent story.

General Motors, for instance, had a 61% gain in pre-tax earnings but taxes rose 108.7%. Goodyear reported a fabulous boost in pre-tax net of 122% but taxes soared even more—something like 172%, from \$17.9 million in 1949 to \$48.8 million last year. General Electric, another industrial giant, managed to push pre-tax earnings up 60% but tax provisions rose 152%.

Samples like these make it clear who was the big winner in the 1950 uprush of business profits. The Government can hardly complain; it got more than a respectable slice of the corporate income pie. The slice in some cases was astounding.

Take American Airlines whose pre-tax net rose some 145%. The company's tax bill soared an amazing 533%, from \$1.8 million to \$11.4 million. In comparison, the stockholders' share, though higher, was modest enough. Percentagewise it looked fairly good, having risen 114%. The rise was less impressive in actual dollars, with a gain from \$1.4 million to \$3 million in dividends paid to stockholders. The Government got al-

most four times as much last year whereas in 1949 it got only about one-third more than the stockholders received.

The Government's favored position is readily explained, of course. Corporate taxes were raised two ways last year. The straight income tax rate was raised to 42% from 38% in 1949. And the excess profits tax was enacted, placing an additional 15% levy on earnings in the "excess" bracket. Both these rates will be higher this year. The regular income tax rate now is 47%, and the excess profits levy is 30% in addition. It means that Uncle Sam's tax take will be even bigger than last year, and still further increases are up for consideration in Congress.

How Stockholders Fared

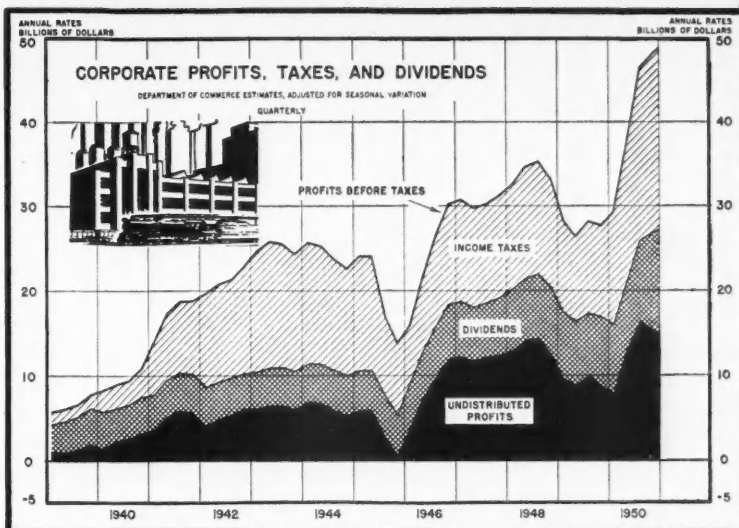
Just how far behind in the parade the stockholder was in many cases is aptly illustrated by additional examples. We already referred to Goodyear whose taxable earnings rose 122% but whose taxes soared 172%. The stockholders' share rose a mere 18%! And against this, the amount of earnings retained

in the business advanced 122% over the year before. Clearly this is one instance where the stockholder did get the short end; only one-third of reported per share net was distributed.

But the foregoing is hardly a typical example. In the case of Kennecott Copper, we note a 103% gain in pre-tax earnings but only a 42% rise in taxes whereas dividends paid out to stockholders advanced 37%. Here the stockholder did almost as well as the Government, the reason being not only a liberal dividend policy but certain tax advantages characteristic of the extractive industries, and a good EPT cushion besides.

In one outstanding case among those listed, the stockholder actually was the greatest beneficiary. Studebaker's pre-tax earnings declined about 12% and taxes were 3.4% less than last year; yet stockholders received 34% more in dividends than in 1950. Retained earnings dropped 32%. Here the stockholder was top man as far as distribution of income was concerned, doubtless one of the few exceptions that can be found.

Stockholders also got a relatively good break in the case of Westinghouse Electric. That company's pre-tax net rose 44% and taxes were 92% higher than a year ago. Total dividends rose 38%, coming close to the percentage gain of pre-tax earnings. But since dividends paid, as in all cases listed, also included preferred dividends, not all of the total accrued to the common stockholders.



Another example of a relatively favorable tax position is furnished by Bethlehem Steel whose pre-tax earnings advanced exactly 100%, yet taxes were only 94.6% higher. Payments to stockholders rose 55%, certainly a better than average showing relative to the gain in pre-tax net.

Considering that the companies listed in Table I show a roughly 55% increase in pre-tax earnings over 1949, the wide variations from that median figure in individual instances are noteworthy. In a few situations, the earnings gain has been considerably below average. Take Borden Company whose

Relationship Between Pre-Tax and Retained Earnings, Taxes and Dividends

	Pre-Tax Earnings			Taxes			Total Dividends			Retained Earnings		
	1950	1949	Percent Increase %	1950	1949	Percent Increase %	1950	1949	Percent Increase %	1950	1949	Percent Increase %
	—(\$ Millions)—			—(\$ Millions)—			—(\$ Millions)—			—(\$ Millions)—		
American Airlines	\$ 21.8	\$ 8.9	144.9%	\$ 11.4	\$ 1.8	533.3%	\$ 3.0	\$ 1.4	114.3%	\$ 7.3	\$ 5.7	28.7%
American Can	64.7	47.3	36.7	30.5	18.2	67.5	12.7	24.4	18.3	14.9	22.7	
American Radiator & S. S.	54.4	28.5	90.8	26.0	10.1	157.4	15.3	12.8	19.9	13.1	5.5	138.2
Bethlehem Steel	364.6	182.0	100.0	141.5	72.7	94.6	45.8	29.5	55.2	77.1	69.7	10.6
Borden Co.	35.8	34.7	3.1	15.7	12.8	22.6	12.0	11.5	4.3	8.1	10.2	20.6 ²
Celanese Corp.	81.3	33.6	142.0	41.0	13.0	215.3	17.0	16.2	4.9	23.2	4.3	439.5
Chrysler	250.8	213.1	17.6	123.0	81.0	51.8	84.8	45.6	85.9	43.0	86.4	50.0 ²
Deere & Co.	76.7	70.3	9.1	34.0	30.9	10.0	18.6	17.1	8.7	24.0	22.3	7.6
Du Pont	551.2	330.4	66.8	243.6	116.7	117.3	251.8	163.4	54.1	55.7	50.2	10.9
General Electric	370.4	203.6	60.6	197.0	78.0	152.5	97.0	71.0	36.6	76.4	54.6	40.0
General Motors	1,811.6	1,124.8	61.0	977.6	468.4	108.7	539.0	364.3	50.7	295.0	292.1	.9
Goodyear Tire & Rubber	95.4	42.9	122.3	48.8	17.9	172.6	13.1	11.1	18.0	21.9	9.0	121.6
Gulf Oil	174.5	113.4	53.9	64.7	19.9	225.1	45.3	34.0	33.2	65.7	66.8	1.6 ²
International Harvester	115.2	92.3	24.8	48.5	31.1	55.9	31.4	28.6	9.8	34.2	32.6	4.9
International Nickel	76.3	50.2	52.0	27.5	17.9	53.6	31.0	31.0	...	17.6	1.1	1500.0
International Paper	129.2	88.9	45.3	62.5	37.3	67.5	23.1	18.7	28.9	43.7	32.9	32.8
Kennecott Copper	146.8	72.3	103.0	58.7	24.2	42.5	59.5	43.2	37.7	28.6	4.8	495.8
Monsanto Chemical	27.6	19.6	40.8	33.5	10.8	210.1	12.9	9.7	33.0	13.2	7.4	78.3
National Biscuit	38.4	36.2	6.0	18.3	14.6	25.3	14.3	14.3	...	6.7	7.3	8.2 ²
National Dairy	63.2	55.4	14.1	30.6	22.1	38.4	17.7	13.8	28.2	14.9	19.3	22.7 ²
Phillips Petroleum	77.7	59.1	31.4	26.1	14.6	78.7	21.2	18.1	17.1	30.3	24.8	22.1
Republic Steel	142.9	81.1	76.2	79.2	35.0	126.2	26.7	19.3	38.3	37.0	26.7	38.6
Sears Roebuck	303.6	178.2	70.3	160.0	70.0	128.5	65.0	53.2	22.1	78.6	55.0	42.9
Socony-Vacuum Oil	171.6	116.0	47.9	43.4	17.7	145.2	42.9	34.9	22.9	85.2	63.3	34.6
Standard Oil of Calif.	216.9	179.1	21.1	66.1	43.1	53.3	71.6	54.5 ¹	31.3	79.1	40.4	95.8
Studebaker	39.1	44.4	11.9 ²	16.6	17.2	3.4 ²	7.8	5.8	34.3	14.6	21.6	32.4 ²
Texas Co.	191.8	156.9	22.2	42.8	24.2	76.8	75.7	55.1	37.3	73.2	77.6	5.7 ²
Union Carbide & Carbon	237.8	145.8	63.1	113.6	53.6	111.9	72.0	57.6	25.0	52.0	34.5	50.7
U. S. Steel	449.4	291.9	53.9	234.0	126.0	85.7	117.8	81.3	44.8	97.5	84.5	15.7
Westinghouse Electric	155.1	107.4	44.4	77.2	40.2	92.0	28.9	20.9	38.2	48.9	46.3	5.6

¹—Does not include \$40.9 million in stock dividend.

²—Decrease.

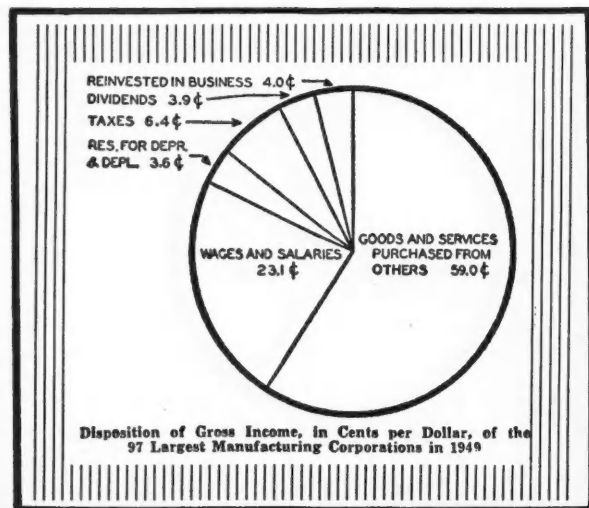
Relationship Between Gross Income and Payrolls

	Gross Income		Payrolls		Percentag of Payrolls to Gross Income	
	1950	1949	1950	1949	1950	1949
	(\$ Millions)					
Allied Chemical & Dye.....	\$408.0	\$363.7	\$ 92.0	\$ 85.8	22.5%	23.6%
American Airlines	118.6	103.2	46.8	46.6	39.4	45.6
American Can	555.2	468.3	129.2 ¹	111.5 ¹	23.4	23.8
American Radiator & S. S.	284.8	206.4	80.1	67.4	28.0	32.6
Armour & Co.	1,859.8	1,848.2	203.5	201.0	10.9	10.8
Bethlehem Steel	1,445.4	1,271.0	534.7	477.4	37.0	37.5
Borden Co.	631.1	613.7	113.0	109.7	17.9	17.8
Celanese Corp.	232.4	171.2	59.7	58.2	25.7	34.0
Chrysler	2,190.6	2,084.6	400.1 ¹	349.4	18.2	16.7
Cities Service	693.3	557.8	77.9 ¹	72.8 ¹	11.2	13.5
Deere & Co.	336.4	361.6	84.1	90.9	25.0	25.1
Du Pont	1,309.5	1,031.9	330.1	293.0	25.2	28.4
General Electric	1,960.4	1,613.5	681.0	606.6	34.7	37.6
General Motors	7,531.0	5,700.8	1,809.2	1,440.6	24.2	25.2
Goodyear Tire & Rubber.....	845.1	633.5	215.2	190.4	25.4	30.0
Gulf Oil	1,150.0	969.5	173.5	167.7	15.1	17.3
International Harvester	942.6	908.9	309.2	312.6	32.8	34.3
International Paper	498.4	415.5	105.5	94.4	21.1	22.7
Minnesota Mining & Mfg.	152.8	114.9	42.6 ¹	31.8 ¹	27.8	27.6
Monsanto Chemical	227.1	165.9	50.4	45.0	22.2	27.1
National Biscuit	296.4	294.4	101.4	101.8	34.2	34.5
National Dairy	906.6	897.6	161.6	156.8	17.8	17.4
Phillips Petroleum	534.0	489.8	84.7	84.3	15.9	17.2
Radio Corp. of America	586.3	397.2	173.7	135.1	29.6	34.0
Republic Steel	888.3	656.8	247.1	207.2	27.8	31.5
Socony Vacuum Oil	1,367.1	1,226.6	229.9 ¹	228.1 ¹	16.8	18.6
Standard Oil of Indiana	1,320.9	1,158.1	228.8 ¹	218.8 ¹	17.5	18.8
Swift & Co.	2,214.8	2,213.1	245.2	237.5	11.0	10.7
U. S. Steel	2,956.4	2,301.6	1,179.4 ¹	931.7	34.0	40.4
Westinghouse Electric	1,019.9	945.6	382.4 ¹	375.9	37.5	39.8

¹—Includes employee benefits.

pre-tax net rose only 3%. Taxes nevertheless were up 22.6% and the stockholders' share rose 4.3%. This is another case where the stockholder got an even break; retained earnings declined some 20%. Fairly even distribution percentage-wise of the income slice also occurred in the case of Deere & Co. Here pre-tax net was up 9.1%, taxes were 10% higher and dividends were 8.7% above 1949 payments.

In the case of Texas Company, pre-tax net rose 22% and taxes 76%; but the stockholders' share increased 37% or better than the advance in taxable income. Retained earnings on the other hand declined almost 6%.



Stockholders fared not so well in the case of International Nickel. Taxable earnings increased 52% and taxes 54% but shareholders received the same amount in dividends as in the preceding year. Rather than hike dividend payments, the company retained \$17.6 million of net earnings compared with only \$1.1 million the the previous year.

It would go too far into detail to discuss the percentage relationships of income distribution as they apply to all the companies listed in the table but the examples cited are interesting enough to warrant further reader study of the additional data presented. They prove conclusively not only how much taxable earnings have risen during 1950 but to what an overwhelming extent the Government has profited therefrom. The Federal Government was by far the biggest gainer. Whereas net profits (in contrast to taxable income) have risen an average of about 30% last year, this was substantially

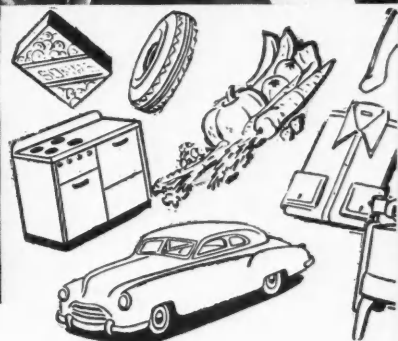
outstripped by the tax bite in the great majority of cases. Usually the percentage increase in taxes has been more than double that figure, and frequently far more.

The relatively limited stockholder participation in industry's postwar earnings bonanza undoubtedly has helped retard the advance of share prices which admittedly have not risen proportionately, either in relation to earnings or dividends. This year excess profits and corporate income taxes will take a still bigger bite and the prospect is that 1950 may have been the last banner year, from an earnings standpoint, for some time. Probably not for the Government whose share in the fruits of corporate enterprise is well secured by current and prospective tax rates. Any declines will affect the stockholder almost exclusively though there naturally will be wide variation in experience and treatment by the various companies.

Labor's Slice Has Grown Substantially

Our discussion so far has not yet touched upon labor's participation in corporate enterprise, important as it is. It's slice, too, has grown and it has always been substantial. In 1949, as one of the accompanying chart shows, about 23% of gross income of a composite of 1,000 corporations went for wages and salaries. Indications are that while payrolls in 1950 have risen, often substantially so, the percentage to gross income has actually declined.

Data shown on Table II furnishes interesting evidence in this respect. In almost every instance among the companies listed, gross income has gone up appreciably but often enough there has been no corresponding rise in payrolls, the reason being that substantially higher gross (Please turn to page 104)



Slump in Retail Trade Ahead?

By RICHARD COLSTON

Disappointing Easter trade and a week-to-week decline in department store sales in March have tempered earlier optimism over the near term outlook for retailers. There are a number of explanations for the recent shift in merchandising sentiment, and opinions differ as to possible variations in demand that may develop through the balance of this year.

In order to visualize the developments in retail trade during March, let's look at statistics furnished by the Federal Reserve Board. While average department store sales for the month were about 8% above the corresponding period a year earlier, weekly dollar volume through the country as a whole receded progressively. In the week ended March 10, sales were 20% higher than the year before, but in the week ended March 31 they were 14% lower and in the week ended April 7 they declined 9%. In all of the twelve Federal Reserve districts, the downtrend was noticeable, although the percentage varied, ranging from 9% to as much as 27% in the last week of March.

Since Easter this year came two weeks earlier than in 1950, and retail trade had continued to boom in January and February, it was natural to expect unusually high level sales in March. In the week preceding Easter, though, sales were only 9% above the same week in the previous year, and increased prices alone probably more than accounted for the gain. While bad weather and the distraction of the crime investigations on radio and television allegedly contributed to buying apathy, it has become increasingly obvious that on a unit basis, consumers generally have curbed their recent spending zeal. And there has been distinct evidence of price resistance.

Admittedly, the basic demand for retail merchandise still remains heavy by normal standards, while the uptrend in national income will exert a stabilizing influence on sales all through the current year. It seems likely, however, that scare buying stimulated by the specter of rising prices, together with widely broadcast threats of shortages, have induced many consumers to stock up unduly. Until swollen consumer inventories have been reduced, the downtrend in purchasing may well continue.

Food purchases constitute the main element in family budgets, and record high prices plus increased personal income taxes have pinched the incomes of innumerable households who normally save little or nothing. In the circumstances, outlays for everything from clothing to appliances must be pared frequently. Adding to the squeeze in no small degree has been the expansion in consumer credit for the purchase of homes, automobiles, television sets etc. Time payments for all these items must be made on the dot, and at the expense of other cash purchases. While the institution of Regulation W has checked the uptrend in consumer credit and new borrowing has declined, presently outstanding consumer debt is still abnormally high.

No Consumer Goods Shortages

Adding weight to all these factors has been widespread disillusionment over the much heralded prospect of shortages. At no time in the year to-date have store customers failed to find an ample supply of durables, including practically everything in this broad category that could be asked for, from kitchen ware to TV sets. Fabrics and clothing have consistently been obtainable in unlimited amounts.

As for prospective price trends, constant hints from Washington that roll-backs might supplement the imposition of price ceilings has not only brought assurance that price tags would not be raised but stimulated a "wait and see" attitude among consumers in anticipation of more moderate prices.

In other words, the entire outlook from the viewpoint of consumers has undergone a radical change in recent months and temporarily at least, has affected their purchasing policies to some extent. Later in the year when the supply of consumer durables may shrink, it is quite possible that increased purchasing by consumers may change the present picture, but in the interim considerable uncertainties will persist.

Under current conditions, the inventory position of the leading department stores, specialty shops and mail order houses alike has created some anxiety. Because of rapid turnover in the forefront of 1951, inventory accumulation by distributors continued at a pretty fast pace, as had been the case for several months before. According to the Department of Commerce, retail inventories rose by \$600 million in January to a new high of \$17.4 billion, although sales in that month also rose by \$1.1 billion (seasonally adjusted). In February, retail stocks continued to accumulate, reaching another new peak of \$17.7 billion, with non-durable good accounting for about three quarters of the rise.

Wholesale stocks at the end of February totalled \$11.5 billion, up \$100 million. In both cases the Commerce Department attributed about half of the gains to higher prices. Statistics for March have not yet appeared, but with business loans continuing to rise to a recent peak of \$19.2 billion, it must be assumed that inventory accumulation has continued, though perhaps at a lesser pace than earlier this year.

In view of the recession in demand, there is quite a strong feeling that retail stores may soon have to lighten up their inventories by increased promotional

sales and bargain prices. In this event, goods bearing less well known trade names will likely be marked down first, but whatever is done may tend to narrow over-all margins. There is also a chance that competition may generate some price reductions at the retail level all along the line. In this event, pressure will be brought on many manufacturers now carrying swollen inventories to lower their price tags in turn, with the alternative of having to reduce production. By and large, some economists would not be surprised if an inventory recession like the one in 1949 may be in the making, despite the expansion in defense activities. Caution, however, suggests that only time can confirm or refute such an expectation.

Sales Outlook For 1951

Although 1951 retail sales may compare closely with the total volume of about \$140 billion in 1950, earlier predictions of a considerable gain now seem somewhat unreliable. As regards earnings, the first quarter probably proved unusually profitable, furnishing a good start for the year. As we have discussed, though, the second quarter is clouded with uncertainties, and store sales and earnings may decline further. An upturn in national income, as defense activities are intensified in the second half, may be a corrective influence, but that remains to be seen. Since income taxes and EPT will be more burdensome this year than last, earnings of the leading retailers will likely decline somewhat, at best. Dividends of the better situated retail distributors, though, seem dependable at present conservative rates.

Sales of the leading mail order houses in March seemingly showed rather better gains than those of department stores. Sears, Roebuck & Company, for example, reported record volume last month and a 17.6% gain over the same 1950 month. March volume

Pertinent Statistics on Merchandising Stocks

	Net Sales		Net Margin		Net Per Share		Inventories		% Inventories To Sales	Div. 1950	Recent Price	Div. Yield
	1950 (\$ Million)	1949	1950	1949	1950	1949	1950 (\$ Million)	1949				
Aldens	\$ 79.7	\$ 68.9	2.5%	1.2%	\$ 5.35	\$ 2.03	.....	.....	.....	\$ 1.50	23 1/4	6.4%
Arnold Constable	22.2	21.7	3.9	3.7	2.57	2.39	2.1	1.4	9.5%	1.25	18	6.9
Best & Co.	36.0	36.3	5.6	5.4	3.40	3.29	4.9	4.6	13.7	2.00	29	6.8
Grant, W. T.	250.5	233.1	3.2	4.0	3.16	3.73	35.7	22.0	14.2	2.00	28 1/2	7.0
Green, H. L.	101.9	98.7	5.2	5.0	4.47	4.14	17.2	13.3	16.8	2.50	42	6.0
Kresge, S. S.	294.8	288.6	6.6	6.2	3.57	3.28	45.3	33.1	15.3	2.25	38	5.8
Kress, S. H.	161.6	163.9	7.4	6.1	5.12	4.27	32.0	24.7	19.8	3.00	55	5.4
Lerner Stores	125.7	120.6	2.4	2.5	2.47	2.46	17.3	12.3	13.8	1.75	23	7.6
Macy, R. H.	335.6 ¹	314.5	2.3	1.5	4.12 ¹	2.43	36.0	30.8	10.7	2.00	33 1/4	5.9
Marshall Field & Co.	222.8	207.8	3.3	4.1	3.57	4.13	32.1	26.5	14.4	2.00	32	6.2
McCrary Stores	98.6	95.7	5.3	5.0	4.43	4.05	15.6	11.4	15.9	2.75	39	7.0
McLellan Stores	56.6	54.4	4.9	4.6	3.28	2.98	11.3	9.2	20.0	1.75	25 1/2	7.0
Melville Shoe	70.8	71.8	7.3	7.7	2.22	2.37	9.9	7.4	14.0	1.80	25 1/4	7.1
Montgomery Ward	1,170.4	1,084.4	6.3	4.4	11.19	7.13	249.5	227.2	21.3	3.00	70	4.2
Murphy, G. C.	150.5	141.3	6.2	6.3	4.68	4.46	22.1	18.1	14.7	2.25	53 1/2	4.2
Neisner Bros.	58.2	57.7	2.8	2.4	2.59	2.18	7.5	6.9	12.8	1.00	16 1/4	6.1
Newberry, S. S.	145.6	136.7	4.6	4.4	4.24	3.72	27.0	21.6	18.5	2.00	37 1/4	5.3
Penney, J. C.	949.7	880.2	4.7	4.7	5.46	5.08	164.8	132.1	17.3	3.00	67 1/4	4.4
Sears, Roebuck	2,556.3	2,168.9	5.6	5.0	6.08	4.58	380.1	321.3	14.8	2.75	54 1/2	5.0
Spiegel Inc.	143.5	132.7	2.3	1.5	1.81	1.01	14.7	16.5	10.3	.25	12 1/2	2.0
Woolworth, F. W.	632.1	615.6	5.8	6.0	3.83	3.83	108.8	90.8	17.2	2.50	45	5.5

¹—52 weeks ended Jan. 27, 1951.

of Montgomery Ward was up 11.1%. The foregoing percentages, though, do not reveal any weekly trends that may have developed, hence it is possible that the more significant picture has not been fully indicated, if mail order sales from week to week followed the general pattern of all retailers.

An anticipated rise of 15% in farm income plus continued high level national income lend encouragement to the outlook for the mail order concerns, at least through midyear. Merchandise prices have averaged about 10% higher than a year ago and should continue fairly firm in near term weeks. "Big ticket" items that importantly affect volume of the mail order firms have been in unexpectedly ample supply thus far in the year and may remain so for a month or two longer. In the second half year, however, sales comparisons will be with last year's boom period, supplies of consumer durables will be increasingly hard to obtain, and the spending proclivities of mail order customers may be affected by factors pointed out earlier in our discussion.

Benefits From Expansion of Outlets

A substantial expansion in retail outlets has benefited the operations of Sears Roebuck & Company. This largest distributor of general merchandise attained a record volume of more than \$2.5 billion in the year ended January 31, 1951. With cost-price ratios favorable, margins on this huge turnover widened, increased taxes were easily absorbed and net earnings rose to \$6.08 per share compared with \$4.58 the year before.

While larger operating income is expected in the first half of 1951, increased tax liabilities will likely restrict the gain in earnings. In the course of a year, inventories of Sears, Roebuck rose by \$59 million dollars but their ratio to sales remained unchanged at 14.8%. Dividends throughout 1951 should continue at a quarterly rate of 50 cents a share, with the prospect of a liberal year-end extra.

Montgomery Ward & Company derives about two-thirds of annual volume from its long string of retail stores, most of which operated under unusually favorable conditions last year. Net sales of \$1.17 billion in the fiscal year ended January 31, 1951, were up about 11%. Net earnings, despite allowance for \$7.4 million excess profits taxes, amounted to \$74.1 million or \$11.19 per shares versus \$7.13 in fiscal 1950. The company's inventories relative to sales advanced moderately to a ratio of 21.3%, stimulated by the difficulty of obtaining deliveries, a factor that encouraged placement of large commitments.

Because, as is well known, the expansion policies of Montgomery Ward have been ultra-conservative in postwar, the company's financial position has strengthened impressively. As of January 31, cash and government bonds totalled \$195.5 million, exceeding total current liabilities by \$59 million. If \$249 million inventories were included, the current ratio would be 4.7. This strong position and current high level earnings assure the stability of the 50 cents a share quarterly dividends, and the rate may be lifted. Liberal occasional extras, in any event, can be expected.

Among department stores, the experience of R. H. Macy & Company last year was fairly typical. Volume of \$335.6 million for 52 weeks ended January 27, 1951, was 15% above the same span the year before. With demand for both hard and soft goods

unusually strong since Korea, the main store in New York City as well as six major branch stores in other leading cities contributed to the gain in volume.

The Macy management is characteristically competent in maintaining a rapid turnover, as shown by a moderate inventory-to-sales ratio of 10.7% on January 27. Although taxes pruned profits, the company in the twelve months period earned \$4.12 cents a share compared with \$2.43 a year earlier. Net income equalled 2.3% of sales. Continued favorable operating conditions in the forepart of 1951 may raise earnings to better than \$4.25 a share for the fiscal year to end next July 31. 50 cents quarterly dividends appear dependable.

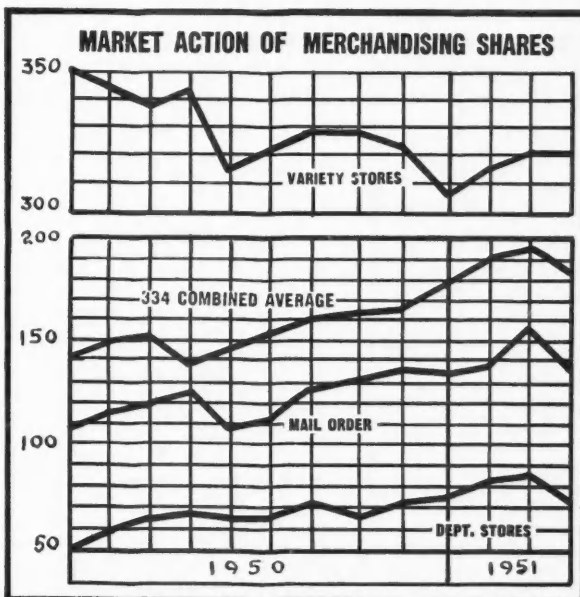
Marshal Field & Company, the large Chicago department store, achieved a gain of only 3% in retail sales in 1950, but over-all volume rose 7.3% as a result of a 36% gain by the textile division, Fieldcrest Mills. Wage costs, however, rose 9% and Federal income taxes 54%. Additionally, the company allowed for a special reserve of \$2.2 million against a possible inventory price decline. Net income accordingly declined to \$3.57 per share from \$4.13 in 1949, or by 12.5%.

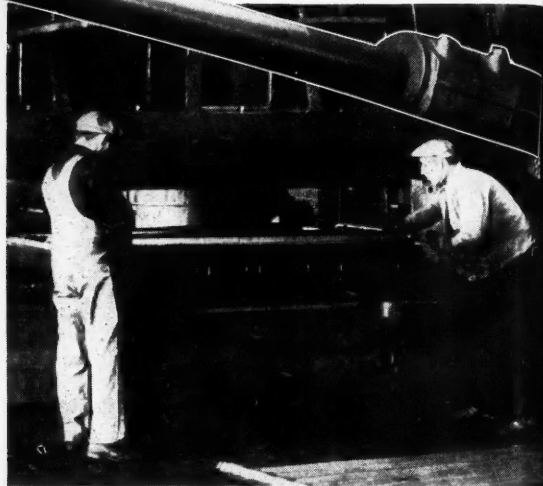
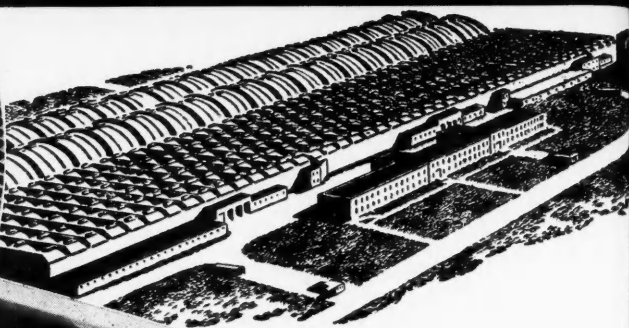
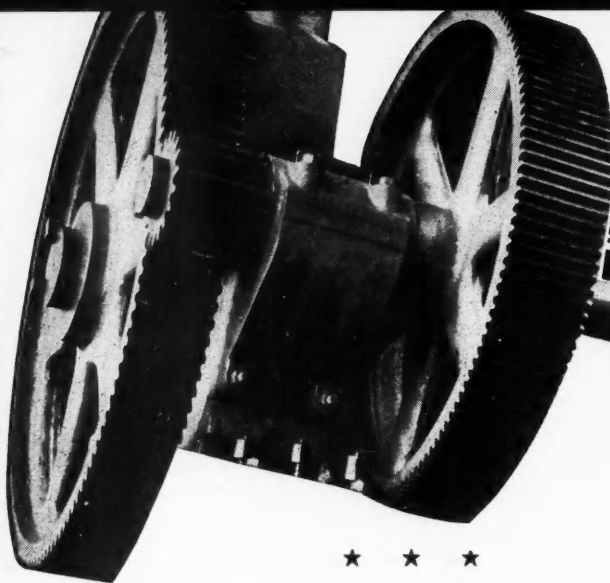
The company's inventories at the year-end were up 31%, establishing a ratio of 14.4% to sales, although the textile division was mainly responsible for the gain. A big volume of unfilled orders caused Fieldcrest Mills to accumulate large raw material stocks.

Large-Scale Improvements

Operations of Marshal Field in the first half of 1951 should benefit from completion of large scale improvements to its Seattle store and several other smaller units. Looking ahead, plans have been formed to build one of the largest shopping centers in the world about 16 miles north of Chicago, serving a suburban population of about 800,000. Building restrictions, though, may delay this project. No change in the present 50 cents quarterly dividend rate is expected.

Sales of the J. C. Penney (Please turn to page 116)





Billions for Greater Industrial Expansion

By JOHN D. C. WELDON

All-out industrial expansion has become the keynote in defense planning with the dual aim of providing to the fullest possible extent for the combined demands of rearmament and an active and growing civilian economy. Such planning, if carried out, may well become the most important key to the American economy in the next few years, quite apart from its longer range implications.

There is little question about existing intentions. Industry expects to buy more plant and equipment this year than ever before, though mobilization needs may dictate the actual total. The latter, at any rate, will be impressive.

A survey on capital spending plans jointly released by the Securities & Exchange Commission and the Department of Commerce indicates that business intends to spend a record \$23.9 billion in 1951, that is 29% more than last year and 24% more than in the previous peak year 1948, with every major branch heading for goals never reached before.

True enough, this figure is inflated by today's high costs; the dollar after all is worth considerably less than a year ago. Still the survey estimates that at least two-thirds of the \$5.35 billion increase over 1950 represents higher physical volume; only about one-third accounts for higher prices.

Quarterly spending for new plant and equipment, which came to an estimated \$5.5 billion in the first quarter, is expected to reach a peak of \$6.08 billion in the second quarter and stay around that level for the balance of the year. Whether it actually will, depends in no small measure on availability of materials and manpower squeezed by the acceleration of the arms program. The manpower problem may become the greater stumbling block; it will have to be met head-on towards the end of the year as arms

production swells progressively.

As to materials and controls, many of the expansion projects will doubtless enjoy priorities where scarce materials are required, thus should not be adversely affected by scarcities.

Logically, expansion will be concentrated in segments of industry where the most serious bottlenecks exist. Hence the sharpest rise in outlays is scheduled in manufacturing where almost half the total expenditure, or some \$11.9 billion will occur. It is estimated that iron & steel companies alone will spend \$1.2 billion this year, more than double the highest previous annual outlay. Other preferred fields of expansion are in aluminum, non-ferrous metals, chemicals and special plants for the manufacture of weapons.

Very heavy expenditures are also planned in the transportation field, ranging from a 33% increase in outlays for railroad facilities to a 41% boost applying to other transportation. The mining industries expect to hoist their spending by 30%, and the public utilities are planning on a 12% increase.

Government Incentives

Even now, the Government is busy helping and prodding private industry to raise its capacity wherever the need may appear. Defense money, Government loans, tax benefits and materials priorities are being offered as incentives to open up or enlarge non-ferrous metal mines, build new steel mills, expand chemical production and build up a private munitions industry. But the expansion drive is not limited to 1951; it will likely run into 1953 by which

time the country's industrial facilities should have increased fully 10%, on the top of the 75% increase in capacity that has occurred since 1939. Once completed, it will mean a new and impressive high in American industrial power, enough capacity to take care of permanently higher military expenditures hitched to a fast-moving civilian economy.

Since the capital investment drive centers on expansion, it will mean a considerable upsurge in plant construction as well as in machinery and equipment buying. Machinery builders already have their hands full with current production making little or no headway against ever-increasing order backlogs. They should be extremely busy for a few years.

The construction industry, faced with declining residential building, will find a welcome offset in rising industrial construction activity. The new upsurge is already reflected in sharply rising engineering construction awards, for the year to-date running several hundreds of millions ahead of the same period last year.

Nearer Term Implications

Industrial expansion on the scale indicated is bound to have various other and highly important implications. It should provide some assurance that business activity will be sustained at a relatively high level even though a decline in consumer goods production should occur before military output shows a sharp increase. In other words, it may well minimize whatever interim dip in business may lie ahead. That dip, essentially, will be felt most at the trade level anyhow though probably not without a backwash against production schedules in certain lines, chiefly of the soft goods variety.

Later in the year, expansion demands may tend to intensify certain materials shortages and thereby the shortage problems of non-essential industries, if only temporarily. The latter threat may be minimized to the extent that the initial fruits of expansion will be felt by the time when heavier defense production competes more seriously for vital materials.

The latter thought leads up to a most important aspect: As expansion increases the supply of goods and materials, it will furnish increasing insurance against further inflation. Inflation, after all, cannot thrive if the goods supply is adequate to satisfy both, military and civilian demands. The most certain way to assure adequate supplies is to expand productive capacity where they are or threaten to become insufficient.

Economic Pattern Over Next Years

Industrial expansion, as previously stated, has become one of the chief factors in official planning, latterly giving rise to the shaping of a certain pattern of the national economy over the next years. This pattern envisages a gradual tightening of the civilian supply during the latter half of this year and most of 1952, with a subsequent easing as supply conditions improve because greater plant capacity comes into production.

By early 1953, if all goes well, military requirements should have reached a comparatively stable level below their 1952 peak, with defense goods needed primarily to maintain an achieved high level of armed preparedness and permitting once more redirection of manpower and materials into normal

channels of production.

Necessarily any such blueprint is highly tentative. The qualification "if all goes" well, first of all rules out total war. It also presupposes that there will be no hitch in the expansion program. At best it will be a long and somewhat arduous road until the primary aim—top military preparedness and return to economic freedom—can be achieved. Without expansion, it would be impossible to attain. Realization of this should be a powerful driving force behind it, both in and out of Government. Private industry's stake in its success is obvious.

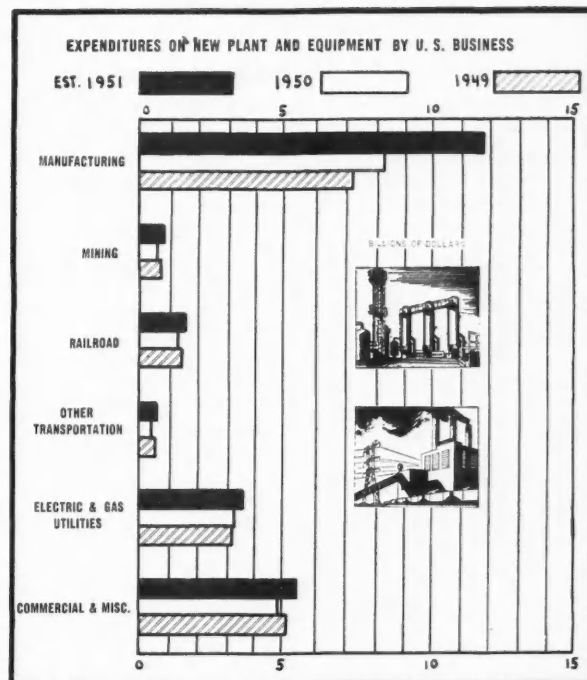
It is one reason why there are divided views on the desirability of early institution of a Controlled Materials Plan. On the one hand, there is fear lest expansion interfere with progress of our own arms program as well as that of our allies, that it may tend to disrupt military and diplomatic assistance pacts. Additionally, certain agencies detect therein the germ of overexpansion and non-essential building, hence the thought that a CMP with strict screening of end-uses might be a good idea.


On the other hand, as Chief Mobilizer Wilson recently stated, a CMP now may well disrupt civilian output and create an "economy of scarcity". And it might of course put quite a crimp in the expansion program, making the time table previously mentioned more or less illusory.

The Longer View

Taking the longer view, it must be recognized that record plant expansion now contemplated could ultimately create problems of excessive capacity for some industries in the future. Assuming no major war, the main phase of rearmament will be completed by 1953 or 1954 at the latest and by that time, many of the new facilities will be available for civilian needs.

To the extent that they may prove excessive, they could become a source of (Please turn to page 108)





Happening in Washington

TRUMAN VS. MacARTHUR

By E. K. T.

SENATE ACTION on the troops-for-Europe legislation has convinced Administration leaders that it's no longer safe to assume that they can write their own ticket on foreign and military affairs. Measures falling into those categories are just as much subject to

rejection as purely domestic items. For that reason they have crossed fingers on draft, universal military training, military assistance program, Marshall Plan extension, grain for India, defense housing and, of course, taxation. Even the "war is imminent" appeal, launched by Speaker Sam Rayburn, had little effect. The coalition received it with openly-expressed skepticism, said it wanted to see the proofs before going overboard.

WASHINGTON SEES:

Putting aside for the moment the military and diplomatic implications of President Truman's ouster of General Douglas MacArthur, the political effect can hardly be other than a disavowal by Mr. Truman of interest in the 1952 presidential nomination.

In the cascade of criticism that has engulfed the White House, none has suggested the motive of political gain. To cut down a national idol when, for military security reasons, the President is unable to lay out his case fully (if he has one) is hardly a step calculated to win friends or influence people. Strangely enough, however, reaction here generally followed political lines: Republicans blazed away at Mr. Truman, wanted him impeached, and Capitol Hill was snowed under a storm of messages to the same end; Democrats fell back upon "the duty of a soldier to obey orders," cited the general's own ramrod policy in treating with the insubordinate.

Behind the action was the issue of limited war in the Far East, which was Truman's goal, and all-out war which was MacArthur's insistence. There could be no compromise of those extremes, so someone had to go—and the President held the whip hand. He wielded it when War Secretary Frank Pace telephoned the White House from Tokyo that MacArthur wouldn't budge.

Left to military and diplomatic discussion, it might be a "nine days wonder." The grave danger is that the rancor will permeate the domestic scene, stall Congress with charges and recriminations, a prospect already clearly in sight.

MOST INTERESTING political question of the day, within the republican ranks at least, is due for answer about the first of June. The country will be told then whether Senator Robert A. Taft will try again for the GOP nomination to the Presidency. The answer, very likely, will be yes. The Ohioan has never denied that he's receptive; says only that he isn't actively seeking the nod. His advisers have convinced him that playing hard-to-get is the wrong technic, but cautious Taft wants to be sure first that the call for him to run is genuine. The facts are being gathered by a small coterie, headed by Rep. Clarence Brown. Their report will be in his hands by June 1, and it will add up to: Say yes!

DISCLOSURE by the Joint Committee on the Economic Report that the subject of a heavy tax on advertising expenditures is in the discussion stage has brought a storm of opposing argument. The committee says it has reached no conclusions; but the fact that all the argument made in its recent report is affirmative has been regarded significant. Declared objectives are to discourage purchasing, slow inflation. But the tax wouldn't be selective, wouldn't be pointed toward cutting down the sale of scarce goods alone but would hit transactions of all description, the plentiful as well as the scarce. It's regarded as a calculated business depressant which would seriously harm the job market.

LABOR considers it has won an important battle but isn't marking down its war with Mobilizer Charles E. Wilson as won. The unions have returned their representatives to defense mobilization councils on the theory that the National Advisory Board goes over the head of Wilson and reports direct to the President of the United States.

As We Go To Press

The White House is expected to step out of the role of direct mediator in labor disputes -- or be forced out by congress. The President's power to seize and operate utilities or production when slowdown or stoppage threatens a national crisis will not be diminished but failures in the railroad trainmen's negotiations, and failures they surely were, fixed attention on the unwisdom of mediation at that high level. Intervention by the Presidential office as a conciliator, in this instance at least, exhausted the potentialities of the White House. There was nothing to fall back upon when failure resulted. It cut across the National Mediation Board and the Railway Labor Act. Congress regards it a big mistake.

Federal housing will be put to popular vote for the first time as a result of constitutional amendment adopted by California, and a dozen other state legislatures are holding back on similar legislation to find first whether the issue "brings out the vote." If it's

found to be a popular issue for referenda, the idea is likely to sweep the country, could change the congressional policy on appropriations for that purpose. If the returns add up to an emphatic "no," congress will be faced with the necessity of deciding whether Washington should pay the entire bill (states and cities now pay part of the cost), or should abandon the whole thing.

White House and Treasury decision not to face what seemed like assured defeat by attempting to force a second-installment tax bill through congress, may affect other aspects of the defense situation. In addition to the improved fiscal position of the federal government, one of the reasons for abandoning a second tax act this year was the fact that the mobilization program has not been absorbing materials at the expected speed and money has been pouring into the program with comparative trickle.

Now it is being guardedly suggested in the top levels of National Production Authority that the materials supply position will not be as bad a few months hence as was anticipated -- and the control orders are pointed to a future date, not today's problems. Some of the sub-administrators feel that requirements for the military and defense plant will be delayed. Steel capacity is increasing in direct proportion to estimated needs, their figures show. There'll be a full-dress parade of statistics and "outlooks" when debate begins on extension of the Defense Production Act. That must come soon, for the present bill terminates June 30.

Federal Communications Commission is being advised by friends on Capitol Hill to retreat from its position on what appears to have been a demand that Hollywood producers make their films, stars, and stories available to television broadcasters. The face-saving would come in the form of a statement of clarification -- "it's all a great big misunderstanding." FCC had been discussing the entry of theaters into large-screen television showings. So far, the practice has been limited, largely experimental, and on commercial wavelengths. But in about six months, FCC hearings are planned on allocation of frequencies direct to theaters. When that time comes, FCC had announced, applicants will be required to show whether they have "cooperated" with TV in the past, by making their personnel and products available to the new medium.

This suggestion took producers and exhibitors in the theater field by complete surprise. It was not only an attempt to "force Gimbel's to tell Macy's" but also was an invitation to the motion picture business to commit business suicide, the complaint ran, and the question was asked: "How can we charge admission to view pictures while television has already given for free?" Film producers were readying a counter proposal: Okay, provided we are allowed to charge the customary rental for first-runs, amounting to about 20 cents per viewer -- and television claims it has millions in its audiences!

Decision of NLRB to conduct collective bargaining elections in the building trades may lead to amendment of the Taft-Hartley Act. By administrative ruling of a former general counsel to the board, labor and management in these occupational fields had been placed beyond the reach of the law. Practical considerations had governed: there is continuous shifting from one employer or contractor to another. While NLRB still recognizes that difficulty, it had to conclude that there is no permissible exemption in the law. So the issue is being forced with the knowledge that it will go speedily to congress.

While Capitol Hill concern has been centered on whether 18 year old boys or students in colleges should be deferred from Selective Service draft, there has been almost no attention paid to the plight of the farmer whose working force may be drawn upon without question. But the U. S. Department of Agriculture is very much alarmed -- with reason. The food goals set in Washington will not be reached if there are deeper cuts into farm manpower and defense industries continue to siphon off the over-draft age workers. The wartime slogan "Food Will Win the War" appears to carry no weight today: the farm lad producing it may be put into uniform -- but there are many defense jobs beckoning to him, offering higher wages and deferment!

The farm belt can ill afford more drains on manpower. Actually it must recruit an estimated 1.5 million more men or, in alternative, abandon some of the plantings needed to meet the nation's calls. Migratory labor is on the move, to be sure; on the move to defense plants at a time when the farmer needs it most. Mechanization has made it possible for one man to perform many times as much production as in the old days. But the rub is this: as fast as mechanization cuts the corners, the increased population and changed eating habits have created new problems.

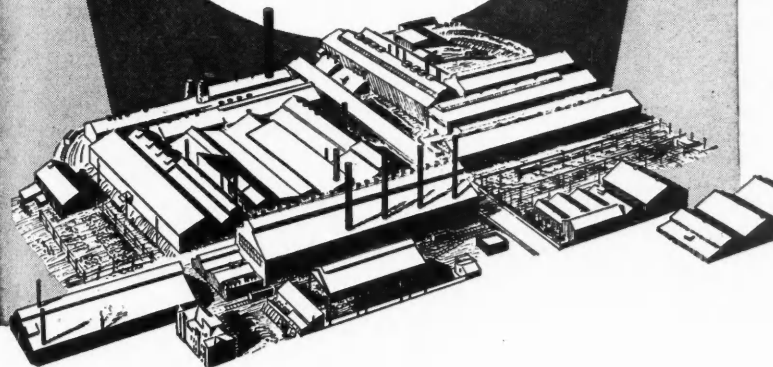
Against the background of a troubled domestic and international situation, government reorganization appears undramatic and misses the headlines, but actually there is more legislation to that end in process today than ever before. In various stages are 18 bills and one concurrent resolution designed to carry out provisions of the Hoover Commission report. And, importantly, the backing is bi-partisan.

Choice of the elder statesman, Herbert Hoover, as chairman of the commission, has proved to be a fortuitous one. In Capitol Hill practice, the name of a potential candidate for high office, tagged onto a bill, can be its death warrant, however desirable the legislation may be. But Mr. Hoover is not regarded among the politicians to be an office seeker (it's surprising, however, how frequently his name crops up in Washington when candidacies or "good timber" are mentioned!) and "Hoover Commission Report" is an acceptable and much-used designation by both parties and blocs within each. In fact the name has drawn strength to many of the recommendations.

Congress may find instances of too cursory examination and too speedy action on applications to come within the speedy amortization section of the Defense Production Act as it relates to construction or alteration of industrial facilities needed for the preparedness effort, but there's no present indication of scandal, or even of serious fault-finding with the program. Writing off the cost, for tax purposes, in a period of five years, is not a revolutionary idea. In the long run it may prove more economical than spotting the nation with government-owned plant which must be sold for a fractional part of its original cost when the emergency passes.

The experience of World War 2 will be reviewed in the light of developments outlined before the Maybank Committee, currently probing the operational methods of DPA. Prominent will be the fact that profits accruing from plant amortization then were considered as capital gains, came within the low tax bracket assigned for such gains. Under the present law, the seller of a plant built under the accelerated amortization program must account for his gains as normal increment, and will be taxed accordingly. But the subject is one that lends itself to demagoguery, and the opportunity won't be lost on Capitol Hill. Difficulty is that the charge of "making profit out of war or out of human misfortune" is headline-catching; the answer, which must be made in dry statistics doesn't make for popular reading.

LEVERAGE FACTOR in COMMON STOCKS



By J. C. CLIFFORD

As many investors probably know, the element of "leverage" may give a common stock a definite speculative advantage but it is far from a one-way street. Because of this fact, there is some tendency for "leverage stocks" to sell at relatively high values in the aggregate during good times or good markets. Conversely of course, they are also subject to a greater degree of undervaluation in recessive periods. There is however a real advantage in the fact that such issues, when selling on a deflated basis, can advance much further than they can decline.

Leverage is imparted by a variety of circumstances, but most often by a speculative or pyramided capital structure involving heavy prior charges for interest and/or preferred dividends. The latter naturally is also found, though in lesser degree, in perfectly sound capitalizations; to the extent this is so, leverage exists.

Additionally, powerful leverage can be exerted by such elements as heavy fixed overhead as usually found in capital goods industries, in the steel industry, in railroads and utilities where capital investment is substantial and acts as a drag on earnings in lean times. It can also take the form of heavy and fairly rigid wage costs, that is a wage burden that is difficult to scale down under adverse operating conditions.

As we have seen in recent years, when operating conditions were favorable and sales reached impressive heights in many fields, the leverage factor has often been responsible for astounding spurts in per share earnings, particularly if the number of common shares outstanding is relatively moderate. After the break-even point is crossed, any profits accrue to the common stock whose potential benefits are theoretically at least unlimited, against the fixed return due to bond holders or preferred stock holders.

The common stockholders, in short, can profit enormously from expansion of a company's activities, properties and earnings at the expense of holders of fixed interest securities. He is in fact "trading on the equity" in that he is operating with just a little of his own money and a great deal of the senior security holder's money. While sales and earnings advance, between him and the latter it is a clear case of "heads I win, tails you lose."

Lest all this sound too wonderful, let's remind again that leverage also works the other way, once earnings begin to decline. Per share net then can shrink at an amazing pace and prior charges and preferred dividends which formerly may have seemed negligible, can suddenly loom large in the face of the declining balance for the common stock. Clearly leverage may be fine in good times but a distinctly adverse factor under unfavorable

economic conditions, and this has a vital connotation as far as the timing of purchases of leverage stocks is concerned. For best results you buy them in the early stages of a boom, and you try to switch out of them when the boom appears to approach its peak and declining earnings seem to be in the offing. That at least is the classic approach. Under prolonged boom conditions such as the present, other factors as well enter in making decisions.

Cyclical Companies

Since fluctuating volume tends to emphasize the leverage factor, shares of companies whose sales are unusually sensitive to cyclical swings in the economy naturally reflect leverage more strongly than others with a promise of reasonable stability of sales and earnings, such as for instance the tobacco companies. At the other extreme are found typical cyclical stocks, especially in capital goods fields such as steels, machinery makers, farm equipment builders, etc. Rails and utilities, as already mentioned, assume a special position, the former being highly sensitive to cyclical fluctuations, the latter far less so. The way rail earnings have shot up in recent months under improving traffic conditions is an excellent example of the workings of the leverage factor.

Perhaps the clearest way to clarify the significance of leverage would be to discuss a few concrete examples where the factor is presented. Leverage stocks offer an interesting speculative medium for an informed investor willing to accept profits at an appropriate time, and alert to recognize the merits of shares that because of leverage have become over-deflated in bear markets.

On the appended table we have listed a number of concerns in various industries, with statistics pertinent to their operations in 1949 and 1950. Comparisons in these two years are specially interesting, as the broad uptrend in per share earnings in 1950 frequently was attributable to leverage in varying degree.

In studying the subject, it is well to realize that the influence of leverage has generally lessened in recent years because of low money rates. Senior charges based on interest rates of 2% to 4% and preferred dividend rates of 3½% to 4½% have been strikingly reduced compared with former years when bond interest rates of 5% and preferred dividend rates of 6% or more were not unusual. Although the influence of leverage has thus diminished as a rule, it is still potent and often expressive because of other factors in the equation.

Wheeling Steel Corporation

Wheeling Steel Corporation's per share earnings are rather broadly influenced by leverage. This company has outstanding \$38.8 million funded debt bearing 3¼% interest and \$36.3 million 5% preferred stock. The equities are represented by approximately 1.4 million shares of common with no par value, carried on the books at about \$37 million. When record sales of \$184.4 million last year showed a gain of 28.8% over 1949, net earnings soared to \$11.59 per share for a rise of 171.4%. In large measure this was due to the fact that combined interest charges and preferred dividends totalling \$3.2 million made only a modest inroad on sharply higher earnings, leaving a record amount applicable to the common. Had not total taxes last year equalled \$14.28 per share compared with \$5.79 in 1949, earn-

ings on the common stock would have risen even more sharply than they did.

Expressed another way, contributors of \$75.1 million senior capital to Wheeling Steel could share only to the extent of \$3.2 million in the company's profits, whereas about \$16.5 million accumulated accrued to the common shareholders after all charges. While last year's high earnings amply protect fixed charges, the spread could narrow pretty fast if volume substantially receded. Rather high and rigid overhead is characteristic of all steel companies, and in recessive periods wage rates also resist down pressure. Thus although the current outlook for Wheeling Steel is exceptionally bright, the leverage factor in a period of declining sales could reduce net earnings rather rapidly.

Celanese Corporation of America

One of the most vigorous and successful concerns in the rayon industry is Celanese Corporation of America. Through alternate periods marked by light or heavy demand for synthetic fibers, chemicals and plastics, the company has forged ahead on balance to establish larger earnings, and its growth is far from ended. The capital structure, however, lends quite a degree of leverage for the common stock, and this may become even more of a factor if some contemplated financing becomes effective.

As of December 31, 1950, Celanese had outstanding a funded debt of about \$69.1 million and two issues of preferred stock totalling \$55.2 million. Issued were slightly more than 5.8 million shares of no par common stock with a total book value of \$120.7 million. Combined annual interest charges and preferred dividends last year amounted to \$5.5 million, but after provision for them and allowance for taxes, the company earned \$40.3 million for the common stockholders, or \$6.39 per share. 1950 volume of \$232.2 million was 35.7% above 1949, but the net earnings cited climbed by 100%, partly due to the springboard established by leverage.

Additional capital needs for expansion by Celanese, together with plans for refunding or retiring a portion of senior securities outstanding, recently led the company to consider issuing \$100 million debentures and \$100 million preferred stock, but as matters now look only the latter will be sold presently. In any event, this program will tend to enhance the leverage of the common stock.

Aside from variations in annual volume, there are other factors that may intensify the effect of leverage. Take Armour & Company, for instance. While this meat packer has a sizeable total of \$187 million senior securities which require \$8.5 million annually for interest charges and preferred dividends, thereby creating heavy leverage for the common stock, the

Companies with Varying Leverage

	Net Sales		Percent Increase	Net Per Share		Percent Increase	Combined Interest & Preferred Dividends 1950 (Millions)
	1950 (Millions)	1949		1950	1949		
Aluminum Co. of America	\$481.1	\$347.1	38.6%	\$ 9.07	\$ 4.45	103.8%	\$ 6.7
American Airlines	118.6	103.2	14.8	1.39	.89	56.1	2.3
American Locomotive	138.8	147.2	5.7 ¹	2.78	2.50	11.2	1.8
Armour & Co.	1,859.8	1,848.2	.6	3.94	(d) .60	556.6	8.5
Bethlehem Steel	1,439.8	1,266.8	13.6	12.15	9.68	25.5	11.5
Carrier Corp.	62.3	46.2	34.7	4.54	2.47	83.8	.6
Celanese Corp. of America	232.4	171.2	35.7	6.39	3.19	100.0	5.5
Continental Can	397.8	331.5	20.0	4.53	3.73	21.4	2.1
Deere & Co.	336.4	361.6	6.9 ¹	13.51	12.42	8.7	3.0
El Paso Natural Gas	38.6	28.2	36.8	2.32	1.92	20.8	6.0
Goodyear Tire & Rubber	845.1	633.5	33.4	15.62	8.40	85.9	7.2
Gulf, Mobile & Ohio R.R.	78.4	73.0	7.4	6.92	2.52	174.6	3.2
Jones & Laughlin Steel	487.5	386.0	26.2	7.36	4.00	84.0	3.2
Rayonier Inc.	66.3	48.7	36.1	11.16	4.75	134.9	1.5
St. Regis Paper	154.7	127.3	21.5	2.10	.91	130.7	2.3
Sunray Oil	90.6	58.4	55.1	2.13	1.77	20.3	5.8
United Airlines	104.0	91.5	13.6	2.91	.88	230.6	1.2
U. S. Rubber	695.7	517.4	34.4	11.04	5.62	96.4	7.4
U. S. Steel	2,946.5	2,292.0	28.5	7.29	5.39	35.2	27.4
Wheeling Steel	184.8	143.4	28.8	11.59	4.27	171.4	3.2

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¹—Decrease.

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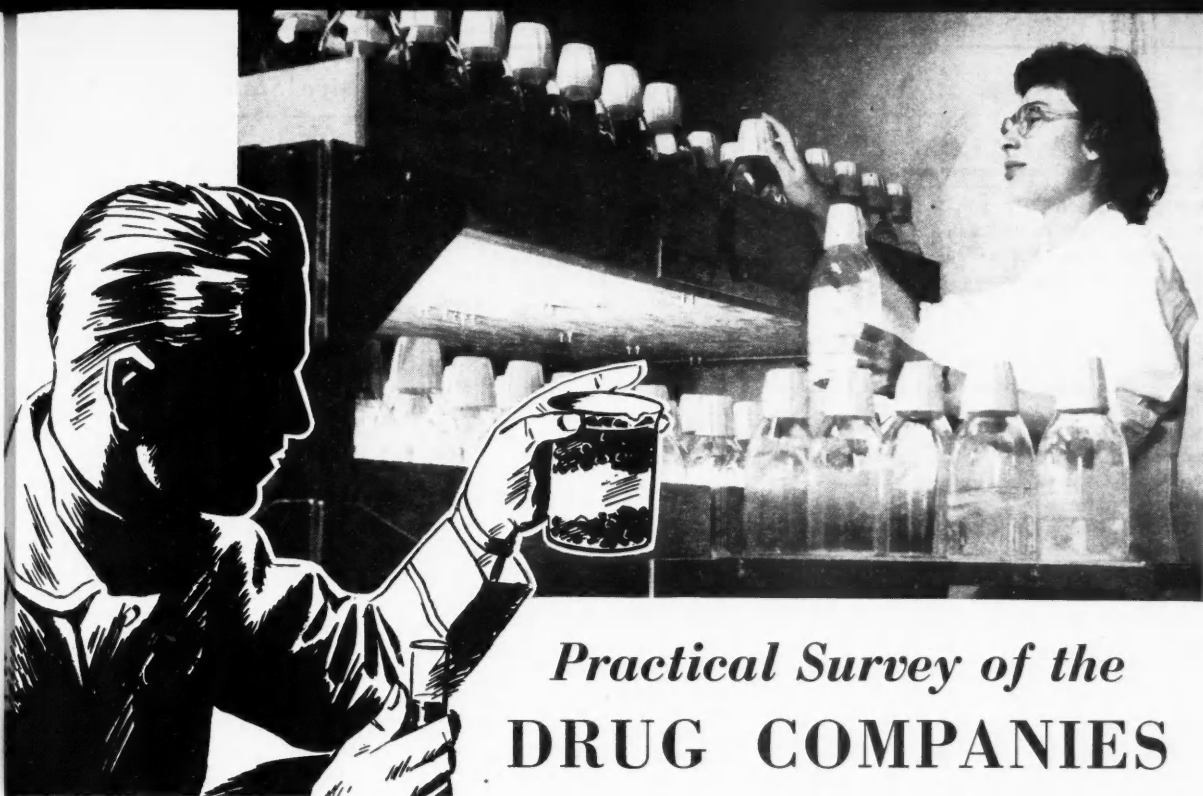
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Practical Survey of the **DRUG COMPANIES**

By H. S. COFFIN

*T*he 1951 business outlook of the drug industry has a distinctly bright tinge. Several factors combine to suggest that sales of well situated concerns in this group should further increase this year despite substantial gains in 1950. Because of this, operating margins may widen and larger pretax earnings should moderate the impact of increased Federal tax levies. While net earnings may recede slightly in some cases, dividends generally should continue at last year's rates.

An ample supply of raw materials seems assured for producers of ethical drugs and proprietaries alike. Since Korea, prices have tended to firm somewhat as an offset to increased wage costs, and no near term easing is in prospect. Trade inventories at the end of 1950 were somewhat enlarged, following the general tendency by distributors to accumulate stocks, but no threat of overloading has appeared. Manufacturers of proprietary drugs, however, should feel the burden of excess profits taxes less severely than many firms in the ethical division whose earnings have risen sharply of late. Manpower shortages seem to create the main problem for the industry as a whole.

As for demand, military requirements naturally are, and should continue to be, increasingly heavy, bolstering substantial regular civilian demand. Doctors in the Armed Forces in Korea have established an amazing record of recoveries from wounds as a result of improved medical techniques and the use of the new "wonder drugs." Aside from this, all civilian employees of the Government, as well as the military personnel, are treated with antitoxins before going overseas.

Never in history has the development of new and amazingly efficient drugs reached such a pace as in the last few years. Practically all of the leading

makers of ethical drugs have become active in this way, especially in the realm of antibiotics (produced from moulds). Necessary clinical tests almost weekly are confirming the sensational merits of such drugs as ACTH, cortisone, aureomycin, terramycin, etc., in combatting a long list of diseases formerly considered quite dangerous. Greatly expanded facilities for producing penicillin are being used at an increased rate, and demand for this valuable drug has risen, although output has to be large to permit a satisfactory profit at the low price of 4½ cents for 100,000 units.

With the national income at a record high level and large scale hospitalization plans encouraging medical care, civilian demand for drugs of manifold descriptions may reach peak proportions in the current year. Optimism in this respect applies to foreign demand, also, as shown by much larger export sales of numerous drug manufacturers last year, at least on a unit basis. The devaluation of foreign currencies pared profits on a lot of overseas business in 1950, but the increasing supply of American dollars could overcome this adverse factor in 1951. Many of our leading drug manufacturers operate important subsidiaries abroad, and have captured most of the markets once strongly held by German concerns.

Research Activities and Expansion

Increased emphasis on research has led all the prominent drug manufacturers to expand greatly their laboratory facilities in postwar, with a corresponding enlargement of plants and warehouses. The industry thus is favorably situated to cope with increased demand, the latter considerably stimulated by steady development of new products, including both drugs and cosmetics, household remedies, cleaning fluids and new forms of antibiotics. Certain concerns are offering as many as 60 new products developed in their laboratories only last year.

Figures are in million dollars, except where otherwise stated.

	Abbott Laboratories	American Home Products	Bristol Myers	Lehn & Fink	McKesson & Robbins
CAPITALIZATION:					
Long Term Debt, Stated Value		\$12.8	\$9.9	\$1.8	
Preferred Stocks, Stated Value			\$6.7		\$15.0
Number of Common Shares Outstanding (000 omitted)	3,739	3,871	1,380	396	1,676
Total Capitalization	\$25.3	\$16.9	\$15.5	\$3.8	\$45.1
INCOME ACCOUNT: For Fiscal Year Ended					
	12/31/50	12/31/50	12/31/50	6/30/50	6/30/50
Net Sales	\$73.5	\$164.2	\$52.2	\$16.3	\$367.5
Depreciation, Amortization, etc.	\$1.0	\$1.8	\$1.1	\$1	\$7
Taxes	\$8.0	\$10.4	\$3.8	\$3	\$5.1
Net Available for Interest		\$23.3	\$8.5	\$8	
Interest		\$4	\$3	\$1	
Preferred Dividend Requirements			\$2		\$6
Balance for Common	\$10.8	\$11.8	\$4.1	\$5	\$7.6
Operating Margin	25.8%	13.5%	15.7%	5.3%	3.5%
Net Profit Margin	14.8%	7.2%	8.4%	3.1%	2.2%
Percent Earned on Invested Capital	20.0%	18.7%	15.1%	8.1%	9.6%
Earned Per Common Share	\$2.91	\$3.06	\$3.01	\$1.26	\$4.55
Current Price of Common	\$44.00	\$32.00	\$31.00	\$12.00	\$39.00
Dividends 1950	\$1.85	\$2.00	\$1.60	\$625	\$2.65
Dividend Yield	4.2%	6.2%	5.1%	5.2%	6.7%
Price Earnings Ratio	15.1%	10.4	10.3	9.5	8.9
BALANCE SHEET: Fiscal Year Ended					
	12/31/50	12/31/50	12/31/50	6/30/50	6/30/50
Cash and Marketable Securities	\$22.2	\$22.8	\$10.6	\$3.1	\$9.9
Inventories, Net	\$20.8	\$33.1	\$8.5	\$2.6	\$72.8
Receivables, Net	\$13.0	\$16.7	\$3	\$9	\$28.1
Current Assets	\$56.1	\$73.1	\$24.0	\$6.9	\$110.9
Current Liabilities	\$21.1	\$22.3	\$3.5	\$1.7	\$38.2
Net Current Assets	\$35.0	\$50.8	\$20.5	\$5.2	\$72.7
Fixed Assets, Net	\$17.3	\$22.3	\$14.7	\$1.9	\$10.0
Total Assets	\$77.6	\$102.6	\$42.7	\$9.8	\$124.0
Book Value Per Share	\$14.55	\$16.24	\$16.40	\$15.35	\$42.26
Net Current Assets Per Share ¹	\$9.35	\$9.73	\$2.90	\$8.42	\$34.34
Cash Assets Per Share	\$5.93	\$5.89	\$7.68	\$7.75	\$5.89
Current Ratio	2.6	3.2	6.8	4.0	2.8
Inventories as Percent of Sales	28.2%	20.2%	16.2%	15.9%	19.9%
Inventories as Percent of Current Assets	37.0%	45.4%	35.4%	37.6%	65.6%
Depreciation & Depletion as % of Gross Fixed Assets	4.3%	5.3%	5.6%	5.3%	5.3%

¹—After deducting senior obligations.²—1951 rate.

The activities of many drug manufacturers vary so much, and their output is often so specialized, that careful study of individual companies is essential. In general, operations of this group are traditionally stable, marked with rather slow but consistent growth in line with increased population and spending power. Some vigorous concerns, however, are forging ahead fast as a result of new discoveries, a factor imparting greater investment appeal to their shares.

We now will discuss some of the companies listed in the appended table and including leading drug manufacturers in various divisions of the industry. For purposes of comparison, we have provided statistical data covering capitalization, operating details, balance sheets and information relative to the respective common stocks.

Continued vigorous growth was attained by Abbott Laboratories in 1950, with sales of \$73.5 million establishing an all-time peak. Except for a slight recession in 1945, annual volume of this specialist in ethical drugs has risen every year for a decade, starting from a level of about \$15.4 million in 1941. During the

period cited, over-all floor space has been expanded about six-fold to permit production of some 900 pharmaceutical, biological and vitamin items, many of which have been recently developed in the company's modern laboratories.

Pioneer in Penicillin

Operations have been streamlined in the main plant in North Chicago, and manufacturing is now conducted in eleven foreign countries. Abbott was a pioneer in the production of penicillin, and from its battery of 5000 gallon fermentation tanks now come billions of units of this drug daily, many of which are used in combination with vitamins, sulfanilamide, or streptomycin as special medicines, or are offered in improved forms.

On increased sales last year, Abbott Laboratories' operating margin was 25.8%, and taxable earnings of \$18.8 million were 23.5% above the preceding year. Despite the burden of \$8 million Federal taxes (including \$275,000 for EPT), net income of \$10.8

Position of Individual Drug Companies

Merck & Co.	Norwich Pharmacal	Parke Davis	Pfizer (Chas.) & Co.	Rexall Drug	Sharp & Dohme	Squibb & Sons	Sterling Drug	Vick Chemical	Zonite Products
\$5.8	\$6			\$28.1	\$2	\$2.7	\$13.8		
\$12.0	\$1.5		\$4.8		3	\$22.7	\$11.6		
2,410	800	4,893	1,480	3,480	1,079	1,600	3,829	2,398	825
\$19.0	\$4.1	\$13.9	\$5.8	\$36.7	\$15.0	\$26.7	\$45.0	\$2.8	\$7
12/31/50	12/31/50	12/31/50	12/31/50	12/31/50	12/31/50	6/30/50	12/31/50	6/30/50	12/31/50
\$94.0	\$13.5	\$105.7	\$60.8	\$153.6	\$42.1	\$87.5	\$138.7	\$42.6	\$4.3
\$2.5	\$1	\$1.0	\$2.3	\$2.1	\$5	\$1.1	\$1.9	\$6	\$0.04
\$11.5	\$1.1	\$15.2	\$9.3	\$1.6	\$3.5	\$5.3	\$11.6	\$3.1	\$1
\$23.0	\$2.7			\$4.4	\$9.0	\$14.3	\$26.5		
\$1	\$0.2			\$9		\$2	\$6		
\$5	\$0.5		\$1		\$4	\$9	\$4		
\$10.7	\$1.3	\$17.8	\$9.7	\$2.0	\$4.8	\$7.1	\$13.0	\$4.6	\$2
22.2%	19.8%	30.9%	32.4%	3.1%	18.0%	14.5%	18.2%	18.0%	9.5%
12.0%	10.0%	16.8%	16.3%	1.3%	12.5%	9.2%	9.7%	10.9%	6.7%
19.2%	17.2%	27.3%	22.2%	5.2%	17.4%	13.9%	18.2%	20.6%	9.0%
\$4.46	\$1.64	\$3.65	\$6.60	\$5.8	\$4.27	\$4.46	\$3.41	\$3.33	\$3.5
\$69.00	\$15.00	\$49.00	\$88.00	\$7.00	\$40.00	\$40.00	\$38.00	\$24.00	\$5.00
\$2.00	\$1.05	\$1.80 ²	\$2.75		\$1.80 ²	\$1.55	\$2.50	\$1.20	\$2.25
2.8%	7.0%	3.6%	3.1%		4.5%	3.8%	6.5%	5.0%	5.0%
15.4	9.1	13.4	13.3	12.1	9.3	8.9	11.1	7.2	14.2%
12/31/50	12/31/50	12/31/50	12/31/50	12/31/50	12/31/50	6/30/50	12/31/50	6/30/50	12/31/50
\$15.6	\$1.2	\$22.4	\$16.3	\$8.5	\$5.9	\$18.2	\$16.3	\$7.2	\$9
\$20.1	\$2.4	\$28.3	\$15.7	\$39.4	\$11.3	\$19.3	\$33.9	\$10.6	\$7
\$8.5	\$2.8	\$14.3	\$7.5	\$12.1	\$5.6	\$14.3	\$14.7	\$2.7	\$8
\$44.3	\$6.5	\$65.6	\$39.7	\$60.1	\$26.0	\$52.1	\$65.1	\$20.7	\$2.4
\$14.9	\$2.1	\$26.5	\$15.7	\$17.4	\$7.7	\$17.8	\$19.7	\$2.6	\$4
\$29.4	\$4.4	\$39.1	\$24.0	\$42.7	\$18.3	\$34.3	\$45.4	\$18.1	\$2.0
\$32.5	\$3.7	\$22.9	\$21.9	\$20.5	\$12.3	\$20.5	\$30.8	\$5.6	\$8
\$81.4	\$10.6	\$90.9	\$62.6	\$84.8	\$39.1	\$80.1	\$111.2	\$30.1	\$3.6
\$20.20	\$8.00	\$13.16	\$27.69	\$11.24		\$22.88	\$14.13	\$16.53	\$3.90
\$4.78	\$2.80	\$7.97	\$12.98	\$4.14		\$5.62	\$5.11	\$12.92	\$2.04
\$6.47	\$1.50	\$4.57	\$11.00	\$2.42	\$5.46	\$11.37	\$4.25	\$5.14	\$1.14
2.9	3.1	2.4	2.5	3.0	3.3	2.8	3.3	7.9	6.0
21.4%	18.3%	26.7%	25.8%	25.7%	27.0%	22.0%	24.4%	24.9%	17.5%
45.5%	38.0%	43.1%	39.5%	65.5%	43.6%	37.0%	52.2%	51.2%	31.5%
5.8%	3.2%	3.0%	6.8%	5.4%	3.1%	3.7%	4.3%	5.7%	2.8%

³—Preferred and Common Stocks are represented by a combined stated valuation of \$14,825,627. Outstanding 143,844 Preferred Shares at \$1.00 per share.

million or \$2.91 per share was of record proportions and a liberal portion thereof, or \$1.85 was paid to stockholders. Increased dividends have been paid in each of the past five years. Moderate extras should continue to supplement quarterly dividends of 40 cents a share.

Parke, Davis & Company in 1950 experienced the most successful year in its 84-year history. Net sales of \$105.7 million were 21.8% above the 1949 level, and net earnings of \$17.8 million or \$3.65 per share advanced by 43.9%. The showing profitwise was noteworthy because earnings last year were pared by about \$2.1 million excess profits taxes and on increase of \$1.1 million in income taxes. The company's financial position also improved substantially, with net working capital of \$41.1 million at the end of last year was higher by \$6.4 million than a year earlier. The growth of Parke, Davis in a decade has been notable and quite uniform from year to year. 1941 sales of about \$39 million were not much more than a third of last year's volume.

Within the past year, Parke, Davis developed thirty

new products of commercial value, and operations benefitted greatly as a result of the synthesis of the antibiotic drug Chloromycetin in the company's laboratories two years ago. A substantial amount of government orders for antibiotics, pharmaceuticals, biologicals and surgical dressings has been received in recent months. Foreign activities will likely expand upon completion of new manufacturing laboratories in Argentina and England. The foreign aspects of the company's business hold much promise, because the essential character of its products minimizes problems of exchange and import controls. Domestic production will expand later in 1951, when a large new plant in Michigan comes into operation. Quarterly dividends of 45 cents a share should continue to be paid.

New Products Boost Sales

Increased output of relatively new products raised 1950 sales of Merck & Company more than 35% last year to a record level of (please turn to page 110)



Investment Audit OF JOHNS- MANVILLE

By PHILLIP DOBBS

Of the many seasoned industrial stocks listed on the New York Stock Exchange, few offer the unusual combination of desirable qualities found in Johns-Manville Corporation. Representing one of the oldest industries known and with a history dating back almost a century, it possesses vital growth characteristics. In addition, through ownership of the largest known asbestos deposits in the world, the company affords an interesting hedge against inflation. More specifically, however, it is a leader in the building supplies industry with a diversified line of products recognized as among the best in the field.

Although Johns-Manville is by no means dependent on residential construction, home building and renovation contribute importantly to sales volume and go a long way toward determining profit margins. Through diversification of products and as a result of development of new items, the company has reduced the proportion of building supplies to about half of total sales. Under normal conditions from two-thirds to three-quarters of roofing, wall-board, asbestos sidings and other supplies for the building trade go into renovation and modernization channels. Thus no more than about 10 to 15 per cent of output classified as building materials finds its way into new construction.

Other products including insulation, brake linings, clutch facings, brake fluid, acoustical items, packings, road and bridge construction materials, asbestos-cement pipe and material for the electrical industry contribute approximately half of sales and volume, in these lines is in no way related to construction activity. Development of new products has helped to relieve dependence on a single industry and has contributed strongly to long term growth.

As an example, asbestos-cement pipe competing with cast iron pipe now enjoys a substantial market largely because the price has been kept under control while metals have been advancing. Asbestos-

cement naturally offers greater economies in freedom from corrosion and hence is preferred so long as it is competitively priced.

Because construction tends to keep pace with growth in population as well as with rising living standards, it is not surprising that suppliers of building materials and those engaged in construction of homes, factories, apartments, hospitals, schools, etc., have experienced a high degree of activity since the war—and especially in 1950, when residential building boomed in anticipation of imposition of credit restrictions.

As a leading factor in production of materials, Johns-Manville naturally obtained its share of the nation's volume estimated at about \$28 billion, of which perhaps \$11.5 billion represented expenditures for new homes. Housing starts last year reached an estimated 1,350,000, many of which were not completed until this year. J-M sales rose to more than \$203 million for a new high record and net profit similarly topped that of any previous year at \$22.8 million, the equivalent of \$7.22 a share. This showing compared with net profit of \$14.3 million, or \$4.83 a share, in 1949 and with the previous high reached in 1948 of \$15.4 million, equivalent to \$5.22 a share.

1951 Earnings Outlook

Thus far this year, indications point to pre-tax net income approaching that of 1948 or 1950 unless a sudden change in international affairs should clamp down completely on new building. Housing starts have held up surprisingly well this year and the carryover from 1950 was larger than usual because many applications for credit had been filed prior to effectiveness of Regulation X aimed at curbing non-essential building. Accordingly, sales of building materials by Johns-Manville, as well as by its principal competitors, have been well maintained. Tentative estimates suggest that first quarter results in the case of J-M should have little difficulty in surpassing the \$1.29 a share registered in the first quarter of 1950 despite impact of higher tax rates.

Despite gloomy forecasts of economists, housing starts in 1951 give promise of exceeding earlier estimates. Lewis H. Brown, late chairman of Johns-Manville, estimated a few weeks before his death that housing starts this year well might reach 900,000 to perhaps a million, which would represent a comparatively moderate and normal decline from the boom period of 1950.

Importance of Maintenance and Repair Markets

It should be mentioned again that J-M is only partly dependent on new construction. With a slackening in home building, labor may become more generally available for small renovation projects. Modernization work has slackened perceptibly in the last year or two simply because contractors refused to consider "small" jobs. Anything involving less than \$1,000 was regarded as too inconsequential to warrant attention. Unless the man in the home was capable of making minor repairs, the work was neglected. Thus, trade observers contend that there is enough deferred maintenance work to account for a substantial demand for materials this year and next.

On basis of this reassuring outlook, investors may feel confident of generous dividend treatment. Payments to stockholders have increased each year since 1943—from 75 cents a share that year to \$1.40 in 1947, then to \$2 in 1948, \$2.50 in 1949 and \$3.50 last year. The current rate is 75 cents quarterly, on which the return at current prices of about 58 is slightly more than 5 per cent. Chances are favorable for a year-end extra since management customarily distributes a bonus in the fourth quarter when results have been satisfactory. The figures presented have been adjusted to take into account the 3-for-1 split effected in 1947, which paved the way for greater dividend generosity.

Financial position has been maintained in excellent shape notwithstanding large expenditures for expansion and plant modernization. Six years ago, the company embarked on an expansion program which cost about \$76 million in a little more than five years. Appropriations for new projects have been reduced in the last year or two to more nearly normal proportions and it seems unlikely that any sizable sum will be required this year for expansion of properties. Current assets of about \$59.6 million at the end of 1950 excluded \$23 million set aside for expansion. Current liabilities at the same time amounted to \$27.1 million and book value approximated \$39.50 a share. Cash items reached a new high at close to \$14.6 million. Additional relevant statistical information may be found in the accompanying tabulations.

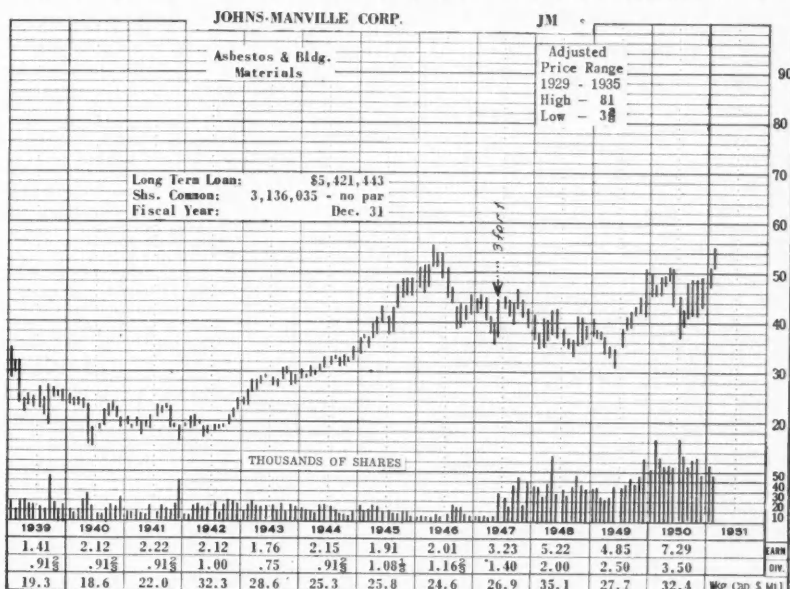
The history of Johns-Manville date back to 1858, when H. W. Johns, roofing manufacturer and asbestos pioneer, began business as a contractor in New York. After about thirty years, the company had expanded to include four distinct types of activity: Asbestos fiberizing and textiles, paints, roofing and insulation. The first

Comparative Balance Sheet Items

	December 31		Change
	1941	1950	
	(000 omitted)		
ASSETS			
Cash	\$ 8,322	\$ 11,586	+ \$ 3,264
Marketable Securities	4,005	2,996	— 1,009
Receivables, Net	12,174	23,921	+ 11,747
Inventories	13,416	21,104	+ 7,688
TOTAL CURRENT ASSETS	37,917	59,607	+ 21,690
Plant and Equipment	57,956	121,180	+ 63,224
Less Depreciation	31,395	51,805	+ 20,410
Net Property	26,561	69,375	+ 42,814
Investments	3,813	2,266	— 1,547
Other Assets	951	26,040	+ 25,089
TOTAL ASSETS	\$ 69,242	\$ 157,288	+ \$ 88,046
LIABILITIES			
Accounts Payable	\$ 2,705	\$ 12,820	+ \$ 10,115
Accruals	2,789	—	2,789
Tax Reserve	10,385	14,308	+ 3,823
TOTAL CURRENT LIABILITIES	15,879	27,128	+ 11,249
Reserves	5,004	9,054	+ 4,050
Long Term Debt	—	5,333	+ 5,333
Preferred Stock	3,000	—	3,000
Common Stocks	17,000	57,647	+ 40,647
Surplus	28,359	58,126	+ 29,767
TOTAL LIABILITIES	\$ 69,242	\$ 157,288	+ \$ 88,046
WORKING CAPITAL	\$ 22,038	\$ 32,479	+ \$ 10,441
CURRENT RATIO	2.4	2.2	— .2

merger of consequence took place in 1892, when several competing firms consolidated under the firm's original name. The other branch of the present company was organized in 1886 in Milwaukee by Charles B. Manville and three sons as the Manville Covering Company.

Rapidly growing demand for high-pressure insulation for boilers and steam pipe presented a challenge for this company's research activities and led to an arrangement whereby the Manville firm took over management of the H. W. Johns Manufacturing Company's Chicago branch, which had made considerable headway with asbestos insulation in cov-



ering steam boilers. A few years later a complete merger of the two companies took place as the H. W. Johns-Manville Company.

Mr. Manville and his sons succeeded to active management, as the senior Mr. Johns had passed away in 1898. Under their guidance the company experienced rapid growth for a quarter of a century. Then in 1927, when the Manville family took steps to dispose of a large part of their holdings, the public was permitted for the first time to participate in the business. With enlargement of management and development of new products, the company grew steadily despite adverse conditions in the building industry in the 1930's. In 1927 wood fibres were added along with diatomaceous silica, rubber and other raw materials.

Later on rock wool insulation was put on the market, insulating boards followed and transite pipe was introduced. An extensive demand has been created for rock wool with the result that other companies have come into the field. A new chemical process recently has been developed for utilizing loblolly pine, grown extensively in the South, and processing the wood fibres into insulating board products. This development points to interesting growth possibilities now that other competitive materials have advanced substantially.

Expanded Facilities

Upon completion of its expansion program, which included a research center near Manville, N. J., an insulating board plant at Natchez, Miss., an electrical insulation plant at Tilton, N. H., and a pipe and rock wool plant in Toronto, the company has 21 plant and mine locations in this country and Canada. The Jeffrey mine at Asbestos, Quebec, biggest asbestos deposit known, has been producing at the rate of 450,000 tons of asbestos fibre annually and it is estimated that the deposit is capable of producing at this rate for a century. At Munro in Northern Ontario, where a secondary mining operation is being conducted, output is reported at about 30,000 tons annually and it is estimated this deposit has a life of about twenty-five years. Underground mining has commenced at Jeffrey now that open-pit operations no longer are feasible.

Because of the shortage of asbestos, intensive searches are being conducted throughout the world. A premature news report concerning exploration activities in Northern California recently proved

groundless, according to company officials, who said the reported deposit proved to have no commercial possibilities. Other mines from which the world obtains asbestos are estimated to have a life of twenty to forty years. Johns-Manville accounts for about a third of the world's output and more than half of Canada's production. Probably two-thirds of all asbestos currently produced comes from Canada.

J-M's growth over the last half century from its formation as a combination of the H. W. Johns and Manville Covering concerns may be traced with a few sales figures. In 1901, total volume approximated \$3 million and by 1927 business had grown to \$40 million. There was a drop to slightly more than \$20 million in 1932 before a turn for the better was realized. During the war, sales reached a peak in 1942 of \$108 million. Last year's volume came close to doubling the wartime record.

Paying tribute to intensive research conducted by the company over the years, it is interesting to note that Johns-Manville was able to prove the commercial value of short fibre asbestos which previously had been discarded as useless. The company's large Canadian mine yields the short fibre, so it was essential to demonstrate its practicability if the huge deposit was to prove worthwhile. Short fibres have proved especially adaptable to textiles made from asbestos, and these have a great variety of applications.

Employee Policies

Management has followed a policy for many years of offering inducements to employees as well as to officers for extra effort in stimulating production and sales. Two years ago, a program was adopted providing 145,300 shares of common stock which officers and key employees might purchase on a ten-year payment plan. Of this amount almost 32,000 shares had been taken down by the end of last year. Probably half of the factory workers received incentive payments last year. Extra distributions went to salesmen and to district managers. Altogether incentive payments approximated \$6.7 million for the year. This was slightly more than half the total dividends to stockholders of about \$11 million.

Although preferred stock has been issued from time to time, only common shares currently are outstanding junior to about \$5.3 million of 2.7 per cent notes held by an insurance company. Common capitalization consists of somewhat fewer than 3.2 million shares.

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin %	Taxes (Millions)	Net Income (Millions)	Net Profit Margin %	Net Per Share	Div. Per Share	Percent Earned on Invested Capital %	Price-Range
1950	\$203.2	\$ 45.5	22.4%	\$ 15.7	\$ 22.8	11.2%	\$ 7.22	\$ 3.50	19.7%	58% - 36½
1949	162.5	22.3	13.7	7.8	14.3	8.8	4.83	2.50	14.1	50½ - 30½
1948	173.4	24.7	14.2	9.6	15.4	8.9	5.22	2.00	16.0	42½ - 33½
1947	133.8	15.0	11.2	5.7	9.4	7.0	3.18	1.15	11.1	46½ - 35½
1946	92.0	5.6	6.1	1.6	5.8	6.3	1.97	1.15	7.5	55½ - 38½
1945	85.9	6.9	8.0	2.6	5.0	5.9	1.91	1.08	6.9	48½ - 33½
1944	101.2	13.5	13.3	7.5	5.4	5.4	2.13	.91	10.0	35 - 28½
1943	107.4	17.2	16.0	9.8	4.6	4.3	1.76	.75	8.5	30½ - 23½
1942	108.0	23.8	22.0	15.8	5.5	5.1	2.12	.75	10.7	24½ - 16½
1941	92.5	19.0	20.5	10.5	5.9	6.4	2.22	1.00	12.3	23½ - 16½
10 Year Average 1941-50	\$125.9	\$ 19.3	14.7%	\$ 8.6	\$ 9.4	6.9%	\$ 3.25	\$ 1.47	11.7%	58% - 16%

¹-To April 5, 1951.

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EET



Problems of . . . The LIQUOR Companies

By STANLEY DEVLIN

Record stocks of aged or aging whiskies in warehouses assure the leading distillers of an ample supply of bonded stock and "straights" for several years to come, and the outlook for plentiful blends is bright unless all-out war occurs. Since the continued uptrend in national income normally encourages substantial consumption of distilled spirits, the leading producers should operate with reasonable satisfaction in the current year.

For several years past, the accumulation of whiskies in bonded warehouses has been facilitated by plentiful grain crops, with the result that the rapidly shrinking supply during war years has not only been fully restored but increased to an all-time high. By mid-summer of 1950, many million gallons of whiskey had reached the age of four years, and since then the amount has progressively expanded. In contrast to about 240 million gallons of various ages held in bond in 1945, the total rose to an approximate 680 million gallons by the end of last year, about 75% of which is owned by a relatively few prominent large distillers.

In the circumstances, when the outbreak of war in Korea stimulated a sharp wave of inventory accumulation by wholesalers and dealers in anticipation of increased excise taxes and prices, the distillers experienced no difficulty in meeting the demand. Sales rose markedly in the last half year and earnings generally improved despite the impact of higher taxes. Although war scare buying subsided in the final quarter of 1950, purchase of liquors by distributors continued at a relatively higher level than before Korea, and according to trade reports still remains above average.

There are indications, however that consumer

ally accumulated in expectation of a scramble by the public to buy liquors in anticipation of higher excise taxes. This anticipation has a logical base, since before too long, excise taxes on liquors seem sure to be boosted, and once the effective date is known, it is quite true that many consumers will rush to save money by beating the gun. The main uncertainty at present is whether the current excise tax of \$9 per gallon will be raised to \$10 or as high as \$12.

The strong prospect of an increased excise tax, regardless of the size of the hike, seems pretty certain eventually to influence liquor consumption adversely if it materializes. Because of the present heavy tax, liquor has become a luxury for many already, and when the pinch of heavier income taxes and high living costs is more severely felt, there are many casual consumers of distilled beverages who will find no trouble in doing without them. Optimists in the liquor trade, though, feel rather confident that the high level of national income will sustain liquor consumption in 1951 at a point fairly comparable to 1950.

Narrower Profit Margins Ahead?

Margins of the distillers may tend to narrow in the current year, depending somewhat on promotional expenses. While wage ratios in the industry are relatively low, other operating costs may creep up in a period when price ceilings prevent appropriate adjustments. A few months ago, it seemed probable that the industry would be required to produce large amounts of industrial alcohol for the defense program, on which margins would be narrow. In the final quarter of 1950, orders of this kind were filled involving 10 million gallons, but a contract made by

buying since Korea has not been at the increased rate established by the distributors, although 1950 retail sales of around 180 million gallons were approximately 6% higher than in 1949. This increase might have been hardly more than normal because of more liberal spending induced by the defense effort, high employment and advanced wage rates. Thus it might be assumed that the inventories of distributors may have become too heavy, and that for a time at least, sales of the distillers may tend to recede until some correction is attained.

Some authorities, though, hold the view that all during postwar the inventories of distributors have been lower relative to retail sales than in pre-war years, and that presently they have not become at all unwieldy, at least by traditional standards. To a considerable extent, stocks of whiskey and gin have been liber-

the government to purchase 110 million gallons from France in the current year seems to have fully met all current needs of synthetic rubber producers who require large amounts of alcohol, and the government has limited storage space in which to build up a stockpile. If all-out war should come, though, the distillers would have to convert on a major scale to production of restricted-profit alcohol.

Shortage of Packaging Materials

Looking ahead a few months, the distillers are somewhat worried over a prospective shortage of packaging materials, such as bottles and containers. The glass industry is already planning to restrict the sizes and shapes of bottles, and containers are in critical supply. Thus when defense activities are stepped up after midyear, and transportation difficulties will increase, the problem of getting whiskey out of the barrel, bottled, cased and in transit to distributors may become a serious matter. Any major interruptions of this sort would adversely affect sales and earnings.

If heavier income taxes are imposed this year and possibly made retroactive, net income of the distillers, as of all corporations, will be pared. If excise taxes are raised, furthermore, it is unlikely that permission to apply profit margins on the increase will be granted. On the other hand, the industry is extremely well sheltered against the impact of excess profits taxes because of abnormally high earnings in the 1946-49 base period.

By and large, the medium term outlook of the large distillers is enhanced by the prospect of an adequate supply of neutral spirits for blending with aged whiskeys, unless industrial alcohol requirements increase drastically. How popular the blends have become, because of their relatively low prices, is shown by reports that of total sales they now represent about 80%. This percentage may rise if a higher tax pushes the price of straight whiskeys still further out of the reach of the average consumer. Competition enforces much narrower margins on the blends than on straight whiskeys or bonded stock. Warehouse stocks of the latter, as we have pointed

out, are very large, but the time may be near when they will be more difficult to market except in form of blends.

On the appended tabulation we list seven prominent distillers that largely dominate the industry. In each case we present statistical data as to capitalization, operations, balance sheets and information pertinent to the respective common stocks. As the fiscal years of several of these concerns end at various periods, the statistics shown may not be strictly comparable in all cases. Since increased activity in chemicals, wines and other products has also characterized the operations of some distillers, it seems appropriate to discuss briefly the companies listed in our table.

National Distillers Products Corporation is the third largest distiller in the United States. Net sales of \$398 million last year were 10% above the year before. The company's bottled in bond Kentucky bourbons, such as Old Granddad, Old Taylor and Old Crow were in such demand that the available supply was insufficient, but in the current year a larger quantity will mature. During 1950, the company sold a number of its other popular brands as either straight whiskeys or blends with no change in the name.

Prices were not materially changed during the year. Aside from volume of whiskeys, sales of Gilbey's gin reached a record high and sales of the company's Italian Swiss Colony wines, vermouth and brandy expanded. In the current year, for the first time in postwar, National Distillers should have at its disposal an adequate supply of aged whiskeys with which to meet all requirements for bonded stock or for blends. Hence some increase in volume would not surprise.

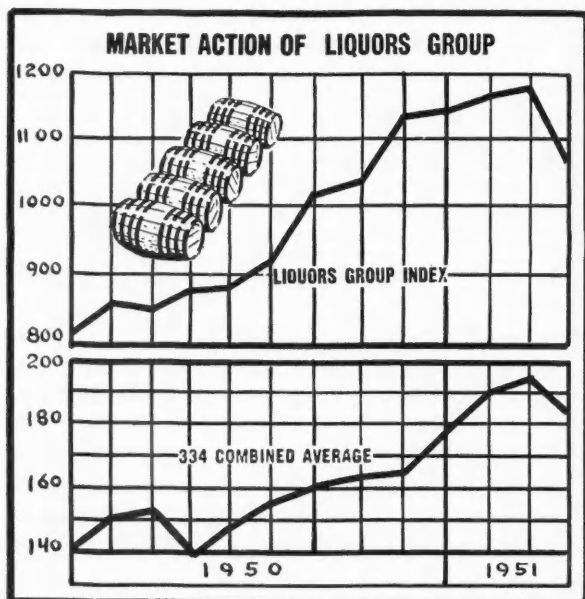
An important factor in the recent progress of National Distillers has been a notable trend to diversify production by increased output of chemicals. Completion of a \$9.8 million plant in 1950 to produce metallic sodium and chlorine was a forward step, and operations have been profitable from the start. As the entire output of this new facility has been sold for a year in advance, the plant will probably be enlarged in the near term. A plant to manufacture sodium peroxide under a new process has been completed of late.

Of equal significance was the move early this year to acquire a 25% stock interest in U. S. Industrial Chemicals, Inc., a leading producer of synthetic resins, anti-freeze compounds and other chemicals. There has been an announcement recently that the directors of both companies have agreed on a merger, subject to ratification by stockholders. As proposed, one share of the chemical concern would be exchanged for two shares of National Distillers.

Asset Expansion, Diversification

If the plan carries through, as is likely, assets of National Distillers will expand by about \$50 million, over-all volume should rise by about \$60 million, and hereafter the company will become much more diversified by chemical production. In 1950, National Distillers earned 15.6% on invested capital and per share earnings rose to \$3.45, partly because profits were not pruned by EPT. Quarterly dividends of 50 cents a share seem secure.

Schenley Industries, Inc. made good progress in the fiscal year ended August 31, 1950, with volume of \$504 million up 9.2% and with a 53% advance in



Comprehensive Statistics Analyzing Position of Leading Distillers

Figures are in million dollars, except where otherwise stated.	American Distilling	Brown Forman Distillers	Distillers Seagrams	National Distillers	Publicker Industries	Schenley Industries	H. Walker-Gooderham & Worts
CAPITALIZATION:							
Long Term Debt, Stated Value	\$1	\$12.5	\$93.2	\$69.5	\$27.5	\$125.0	\$3.0
Preferred Stocks, Stated Value		\$12.7			\$8.1		
Number of Common Shares outstanding (000 omitted)	250	588	8,769	7,977	2,501	4,358	2,887
Total Capitalization	\$5.1	\$25.8	\$110.8	\$127.0	\$47.4	\$127.6	\$20.3
INCOME ACCOUNT: For Fiscal Year Ended							
	9/30/50	4/30/50	7/31/50	12/31/50	12/31/50	8/31/50	8/31/50
Net Sales	\$64.3	\$45.7	\$677.9	\$398.6	\$168.1	\$504.2	\$343.1
Depreciation, Depletion and Amortization	\$2	\$6	\$1.1	\$2.4	\$2.0	\$4.0	\$2.1
Taxes	\$7	\$2.2	\$29.7	\$19.9	\$7.1	\$27.8	\$22.1
Net Available for Interest	\$2.1	\$6.0	\$46.1	\$49.0	\$15.5	\$67.8	\$30.3
Interest		\$3	\$2.6	\$1.8	\$1.5	\$3.0	\$4
Preferred Dividend Requirements		\$5			\$3		
Balance for Common	\$1.1	\$2.7	\$41.8	\$27.2	\$7.4	\$36.9	\$27.9
Operating Margin	3.3%	13.0%	11.0%	12.0%	9.6%	13.5%	15.0%
Net Profit Margin	1.8%	7.1%	6.1%	6.8%	4.6%	7.3%	8.1%
Percent Earned on Invested Capital	6.8%	15.3%	17.2%	15.6%	8.7%	17.2%	20.0%
Earned Per Common Share	\$4.71	\$4.64	\$4.77	\$3.45	\$2.94	\$8.47	\$9.68
Current Price of Common	\$46.00	\$20.00	\$25.00	\$27.00	\$22.00	\$34.00	\$47.00
Dividend 1950	\$2.00	\$80	\$1.70	\$2.00		\$2.00 ³	\$3.55
Dividend Yield	4.3%	4.0%	6.8%	7.4%		5.8%	7.5%
Price-Earnings Ratio	9.7	4.3	5.2	7.8	7.4	4.0	4.8
INTERIM REPORTS for							
	3 mos. 12/31/50	9 mos. 1/31/51	6 mos. 1/31/51			6 mos. 2/28/51	6 mos. 2/28/51
Net Sales		\$56.5	\$485.5				
Pre-Tax Margin			14.7%				
Net Income	\$4		\$32.2			\$17.3	\$14.5
Net Profit Margin			6.6%				
Earned Per Common Share	\$1.68		\$3.68			\$3.98	\$5.02
BALANCE SHEET, as of							
	6/30/50	4/30/50	7/31/50	12/31/50	12/31/50	8/31/50	8/31/50
Cash and Marketable Securities	\$1.7	\$4.0	\$59.5	\$40.7	\$11.7	\$26.5	\$16.0
Inventories, Net	\$12.4	\$24.0	\$217.2	\$124.0	\$81.2	\$217.1	\$88.4
Receivables, Net	\$6.8	\$5.6	\$58.5	\$59.8	\$18.7	\$98.4	\$43.8
Current Assets	\$21.0	\$34.1	\$335.4	\$224.6	\$113.0	\$342.1	\$148.3
Current Liabilities	\$7.5	\$8.0	\$50.2	\$40.6	\$34.3	\$60.8	\$35.6
Net Current Assets	\$13.5	\$26.1	\$285.2	\$184.0	\$78.7	\$281.3	\$112.7
Fixed Assets, Net	\$3.1	\$7.1	\$32.3	\$44.7	\$36.2	\$56.6	\$29.2
Total Assets	\$26.1	\$41.8	\$387.2	\$284.5	\$150.7	\$402.6	\$183.1
Book Value Per Share	\$73.68	\$14.36	\$27.70	\$21.85	\$32.46	\$49.76	\$50.04
Net Current Assets Per Share ¹	\$53.20	\$1.51	\$21.90	\$14.36	\$17.23	\$35.90	\$38.09
Cash Assets Per Share	\$6.80	\$6.80	\$6.65	\$5.10	\$4.68	\$6.32	\$5.55
Current Ratio	2.8	4.2	6.7	5.6	3.3	5.7	4.1
Inventories as Percent of Sales	19.4%	52.5%	32.1%	31.1%	48.3%	43.0%	25.7%
Inventories as Percent of Current Assets	59.5%	70.3%	64.8%	55.2%	71.9%	63.5%	46.2%
Depreciation, % of Gross Fixed Assets	3.0%	6.4%	1.8%	4.5%	5.7%	4.6%	4.2%

¹—After deducting senior obligations.

²—Paid 5% in stock.

³—1951 annual rate.

net income to \$8.47 per share. In the following six months, pretax profits of \$34.3 million compared with \$19.9 million in the corresponding span of 1949-50. After allowance for \$16.9 million income taxes, net earnings were equal to \$3.98 per share versus \$2.72 the year before. The company evidently shared fully in the boom generated by Korea, and benefitted by its dominant position in the whiskey inventory field. How ample and well aged Schenley's large stocks of bonded whiskeys have become, is revealed by the nationwide offering of eight-year old bourbons and rye whiskeys last year, the first time since 1941 that any distiller could do so. Sales of all straight whiskeys in the last fiscal year were about a fourth higher than those of the nearest competitor.

Barring serious shortage of bottles, closure and cartons, Schenley should fare well in the final six

months of fiscal 1951. Schenley Laboratories, Inc., a subsidiary, is increasingly active in the production of penicillin and streptomycin, as well as of blood plasma substitutes. About the middle of 1950, Schnley lifted prices on several whiskey brands contrary to a general slight downtrend by the rest of the industry prior to then. Since the company can earn an approximate \$7.15 per share before becoming subject to excess profits taxes, this impost should not affect earnings very adversely in the current year. A current ratio of 5.7 at the end of fiscal 1950 indicated strong finances, although inventories of \$217 million represented about 63% of current assets. No change in the present 50 cents quarterly dividend rate is expected this year.

Hiram Walker-Gooderham & Worts, Ltd., although a Canadian concern, (Please turn to page 108)

★ ★ ★
ANOTHER LOOK
AT THE

RAIL Equipments

By
GEORGE W. MATHIS

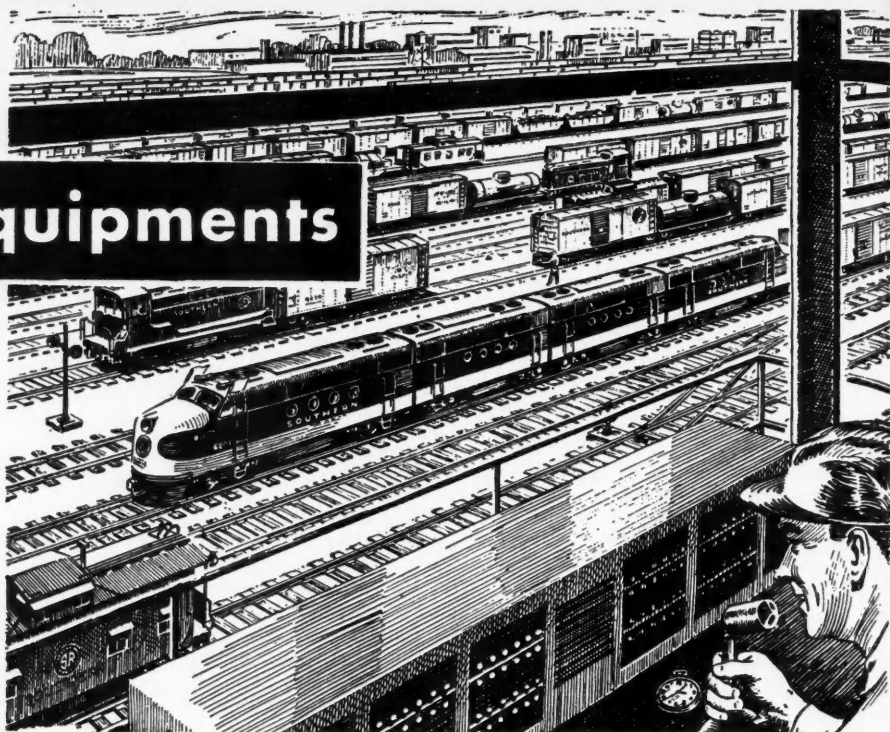
For most of the durable goods producers the requirements of the mobilization program were superimposed on a high level of previously existing civilian demand. Unlike 1941 there was no slack to take up after Korea in such industries as automobiles, building supplies and electrical equipment; and since profit margins were wider on civilian than on military business, these industries saw little economic advantage in the new rearmament.

The situation was quite different for the railroad equipment makers, however. Their backlogs of unfilled orders had been dwindling from the fall of 1948 right up to the beginning of 1950, and for several months in 1949, there was almost a complete cessation of original equipment production, particularly in the freight car sector of the industry. The impact of rearmament and stepped-up railway traffic on the equipment industry has accordingly been pronounced and on the whole favorable.

Freight car backlogs on April 1 totaled 158,619, a figure which compares with only 12,104 cars at the same date a year earlier. New orders are still running far ahead of deliveries as can be seen from the American Railway Car Institute's March statement which shows that 11,271 new freight cars were ordered during the month while only 7,011 cars were delivered to the railroads.

New locomotives on order by the Class I railroads on March 1 totaled 1,652, almost all of which are Diesels. These compared with 1,111 units a year earlier, of which 1,095 were Diesels. Independent locomotive builders report substantial new orders since March 1 not only for locomotives but for other products as well, so that their total backlogs are at new postwar peaks.

Unfilled orders booked by the makers of brakes, brake shoes, castings and signal equipment all reflect the same rising trend. Gross capital expenditures by Class I railroads in 1951 are projected at \$1,376,393,019, according to a report by the Interstate Commerce Commission's Bureau of Transportation Economics. This figure, the Bureau says, is \$355,400,000 above the actual expenditures reported for 1950, or an increase of 34.8 per cent. Equipment



will account for 76.9 per cent of these expenditures, it is estimated. Expenditures for the first half of 1951 alone are expected to show an increase of 51.5 per cent for equipment as compared with the same 1950 period, according to the same source.

In addition to this, there are the numerous non-railway products of the industry, including tanks, gun mounts and other military equipment as well as civilian lines. The industry has been diversifying in recent years, and almost every line into which it has ventured, from petroleum processing equipment to hydraulic pumps, is in demand in a defense economy.

The beneficial effects of rising backlogs on earnings are delayed even under the best of circumstances, and circumstances for the equipment makers in 1950 and early 1951, were not of the best, precisely because of the feverish boom conditions prevailing in other industries and the resulting scramble for scarce materials, a scramble which started long before military production got under way.

Equipment orders began rising several months before Korea, and as long ago as last December, the National Production Authority announced allocations of steel to the car builders in quantities sufficient for construction of 10,000 freight cars a month, but deliveries in March totaled only 7,011 cars and nobody expects to see a monthly total of 10,000 cars until June.

The Steel Problem

At this writing, the steel problem is not so much quantity as quality. Car builders use many types of steels, which must be obtained in "matched sets" to permit the assembling of freight cars. The steels are of different grades and they are rolled into different shapes. A shortage of any type can hold up produc-

tion, and since the steels come from many suppliers, it is all too easy for a hitch to develop.

But balanced supplies are expected to flow more or less evenly in the near future, and output should be stepped up on an efficient basis. As production approaches 10,000 cars a month, the minimum deemed necessary to meet the railroads' needs, profit margins are expected to widen considerably, for this rate would not be too far from the optimum scale of output for the industry.

The 1951 Car Building Goal

Just how much of an improvement in carbuilding operations is expected for 1951 may be summed up by noting that construction for the year is projected at around 100,000 cars as against 43,991 cars delivered in 1950. Needless to say, the utilization of idle plant capacity and the distribution of fixed costs over a large number of cars should result in a profit gain of even wider proportions than the 127 per cent increase in production.

This is likely despite the rise in taxes. Like the railroads, many of the equipment makers are in a relatively favorable tax position—and for similar reasons. American Car & Foundry, Pullman and General American Transportation are all heavily capitalized and therefore find it very advantageous to use the invested capital basis in computing their excess profits tax credit.

Although passenger car backlogs have shown some increase since the end of 1950—from 271 cars to 290 on April 1—they are still small in relation to those on the books a few years earlier. Passenger cars are not deemed as essential to preparedness as freight cars.

The real news about passenger car business is that it is no longer a drag on the earnings of the carbuilders. Pullman's earnings, for example, would have been better on balance if the company had not booked a single passenger car order between 1946 and 1949. The variety of specifications made each

car a custom-built job and completely frustrated the application of efficient production methods. It was not until 1950 that passenger car production was put on a profitable basis.

How the current situation is likely to affect the prospective status and earnings outlook of individual companies is summarized in the following: attention is also called to the accompanying tabulation with statistical data pertaining to leading companies in the railroad equipment field.

American Car & Foundry's deficit of \$3.68 per common share reported for the first six months of the fiscal year to end next April 30 is expected to be largely offset by improved earnings in the second half, so that a small profit may be shown for the full year. Dividends on the large 7 per cent non-cumulative preferred issue should be resumed this year, paving the way for common dividends by 1952.

Earnings during World War II ranged between \$5 and \$7 per common share. Large backlogs for both railroad and military equipment, and prospective operating conditions suggest that these earnings may be surpassed in the fiscal year starting May 1.

Pullman's backlogs at the end of 1950 totaled \$253,765,128, represented in part by orders for 39,946 freight cars and 76 passenger cars. By the end of March, however, the unfilled orders for freight cars climbed to 45,000 units, a new all-time peak in the company's history.

Rising Earnings Trend

Earnings rose in 1950 despite a sharp drop in gross income and nagging steel shortages. This was accomplished largely because passenger car production was restored at last to a profitable basis and earnings of the M. W. Kellogg subsidiary increased. Pullman believes freight car output will be stepped up in the current quarter as more adequate steel allocations become effective.

Pullman's excess profits tax credit for 1950 was estimated at \$12,500,000 or (Please turn to page 114)

Position of Leading Rail Equipment Companies

	Order Backlogs*	Net Sales		Net Per Share		Div. 1950	Recent Price	Yield
		1950 (\$ Millions)	1949	1950	1949			
American Brake Shoe.....	\$ 50.7	\$106.5	\$ 91.7	\$ 4.71	\$ 2.93	\$ 3.00	40	7.5%
American Car & Foundry.....	188.0	51.4 ²	147.4 ³	(d) 3.68 ²	2.65 ³	.....	32½	.....
American Locomotive.....	287.0	138.8	147.2	2.78	2.50	1.50	20½	7.2
Baldwin-Lima-Hamilton.....	215.0	94.3 ¹	119.0	1.02	1.41	.70 ⁴	12½	5.5
Budd Co. ....	.....	290.4	266.6	5.10	4.05	1.50	17½	8.6
General American Transportation.....	.....	87.6	109.9	4.95	5.62	3.00	55	5.4
General Railway Signal.....	.....	13.2	11.5	4.18	2.54	2.25	26	8.6
New York Air Brake.....	14.0	16.2	15.5	5.97	4.91	2.50	39	6.4
Poor & Co. "B".....	.....	25.9	19.2	3.08	1.97	1.50	17½	8.6
Pressed Steel Car.....	.....	16.8	41.2	(d) 1.03	1.43	.....	14½	.....
Pullman.....	253.7	170.5	234.6	4.49	2.42	4.00	43½	9.1
Symington-Gould.....	.....	16.4	10.0	1.32	.66	.75	9	8.3
Union Tank Car.....	.....	18.6	16.4	3.90	3.31	2.60	36½	7.1
Westinghouse Air Brake.....	39.0	62.0	76.0	3.55	3.14	2.50	32½	7.7
Youngstown Steel Door.....	.....	14.9	9.6	2.19	1.05	1.50	18	8.3

(d)—Deficit.

*—Latest available.

¹—Includes Lima-Hamilton for month of December 1950 only.

²—6 months ended October 31, 1950

³—Year ended April 30, 1950.

⁴—Plus stock.

FOR PROFIT AND INCOME



Gaps

In the absence of decisive news factors, nobody can explain the sudden buying or selling flurries which develop in the stock market from time to time. But they obviously originate in a fast change of tactics by floor and boardroom traders who have the "feel" of the market, rather than in any quick change of opinion on the part of investors and speculators generally. It is a good general rule to avoid being stampeded into action by them. The latest rally started with a quiet gain of 1.29 points in the Dow industrial average on April 4, followed the next day by a "gap" opening and gain of 3.01 points on a trading volume of 1,790,000 shares. Such performances always "look impressive" at the time, but one swallow does not make a summer. For example, there was a similar performance right after the March 14 reaction low was made. On March 15 the industrial average rallied 90 cents, there was a gap opening the next day and a gain of 3.77 points on volume of 1,660,000 shares. It was "one of those things", with the enthusiasm quickly subsiding. Whether the most recent instance has greater significance remains to be seen. "Gaps" in opening prices are generally closed, although it often takes a bit of time.

Stocks

Individual stocks which have recently recorded new 1951 highs

include American Cyanamid, Braniff Airways, Brooklyn Union Gas, Consolidated Natural Gas, Corning Glass, Evans Products, Eversharp, Lane Wells, Libbey-Owens-Ford Glass, Link Belt, Reynolds Metals, Thermoid, Sun Oil, United Carbon, Universal Leaf Tobacco and White Dental. It would take about five times as much space to list those which recently recorded new 1951 lows.

Insurance Law

A recently adopted New York State law liberalizes the restrictions governing investments of life insurance companies by permitting them to invest up to 3% of total admitted assets or one third of surplus, whichever is less, in common stocks. Stocks bought must have carried dividends for ten years preceding purchases, average annual earnings applicable to dividends must have been at

least 4% of par value or of the price at which the stock was issued, and the stocks must be listed on an exchange registered with the SEC. It is estimated that maximum purchases on the basis of present asset-surplus positions could be about \$1.2 billion. Whether that much will be invested in equities is something else again. Some of the insurance companies were lukewarm on this idea, since they are under no important pressure to increase income return and have little reason to be concerned about the purchasing value of the dollar. In the latter respect they differ from trusts and pension funds, which are vitally affected by the value of the dollar. Trust and institutional demand for common stocks has become decidedly important; but, as we have noted before, you will nevertheless continue to see the usual ups and downs in the mar-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1951	1950
Eagle-Picher Co.	Feb. 28 Quar.	\$1.01	\$.15
Armour & Co.	13 Weeks Jan. 27	1.70	1.19
Louisville & Nashville R.R.	2 Mos. Feb. 28	1.50	.23
Mueller Brass	Feb. 28 Quar.	1.42	.46
American Gas & Electric	12 Mos. Feb. 28	4.93	4.49
Anderson, Clayton & Co.	6 Mos. Jan. 31	11.62	6.65
Atchison, Top. & Santa Fe Ry.	2 Mos. Feb. 28	3.37	2.51
Sears, Roebuck & Co.	Year Jan. 31	6.08	4.58
Union Pacific R.R. System	2 Mos. Feb. 28	1.79	1.07
Schenley Industries, Inc.	6 Mos. Feb. 28	3.98	2.72

ket, for the great majority of stocks are too speculative to qualify for these buyers.

Earnings

According to Government estimate, total corporate earnings last year rose 32% to a new all-time peak of \$22.4 billion. The estimate probably is fairly accurate, for an actual compilation of 3,304 annual reports shows a gain of 30%. However, a goodly part of the increase was so-called inventory profit. There are a number of reasons for expecting some shrinkage in total profits this year. They include higher taxes, higher costs, ceiling prices, volume cuts in some civilian-goods lines, conversion to defense work in some industries, and a rather general narrowing of operating margins. What the shrinkage may amount to on an over-all basis is hard to forecast at this time, since much depends on the further tax boosts expected to be made effective as of July 1.

Industries

As things look now, there is a good chance for some further gain in 1951 earnings in the case of such industries as air transport, aircraft, machine tools, rail equipment, oil, truck makers, shipbuilding, shipping and soft drinks. Sizable declines in earnings appear most likely in such industries as automobiles and auto parts, carpets, metal containers, motion pictures, video and radio makers, office equipment and most types of building materials.

Dividends

Total 1950 dividends, again according to Government estimate, rose to a new peak of \$9.4 billion, a gain of 20% over 1949 and equal to only 42% of earnings. Payments in prewar years usually ran to around 70%, or more, of earnings; but there is no chance of getting back to anything like that ratio for at least a very extended time to come, for the combination of cost-inflation and heavy plant-outlay programs requires a plough-back of the major portion of earnings. Total dividends this year probably will come closer to matching the 1950 aggregate than will earnings but are by no means immune to some shrinkage. Certainly there is reason to think the year-end extras will foot up to materially less

than those of 1950. On a year-to-year comparison, total payments have already begun to flatten out. Hence, dividend news from here on cannot stimulate the market as it did in the late months of last year and the early weeks of this year. And, beginning with second-quarter statements, there will no doubt be an increasing number of more or less adverse earnings figures to give investors pause.

Peace Or War?

The old warning against putting too many eggs in one basket is still a good one. In these highly uncertain times there is risk in banking too heavily on either war stocks or peace stocks. However, in basic or normal status, the former are generally more speculative than the latter. There is much to be said for stocks of companies with above-average prospects, whether you assume war or peace or a protracted short-of-war arms program. Good examples are found in the oil, rubber fabricating and rayon industries.

Land Companies

For those afraid of long-term inflation, land companies are worth considering. The leading issues, all listed on the New York Stock Exchange, have "paid off" handsomely over the last decade. Whether they will do as well in the next decade is conjectural, if not improbable; but this column would say that prospects are in any event above average. The stocks are Kern County Land, Louisiana Land & Exploration, and Texas Pacific Land Trust. All have become mainly oil-royalty propositions, with the same depletion-allowance tax break that oil producers get. Kern, owning 1,898,000 acres in California, Oregon, New Mexico and Arizona,

was originally a cattle-raising enterprise and still is to some extent, but oil royalties now account for something like 90% of income. Louisiana Land, holding 763,201 acres along the Louisiana Gulf Coast, has always been primarily an oil and natural gas royalty enterprise. Texas Pacific's chief holdings are 1,843,343 acres in over 20 Texas counties. Formerly revenues derived mainly from cattle-grazing fees and land sales, but oil and gas royalties have become predominant. Rising from a low of 4½ in 1942 to a 1951 high of 90½, and now at 84, this stock has made new highs in each of the last 10 years. Kern, now 60½, against 1951 high of 67¾ and 1942 low of 19½, has made new highs for 9 consecutive years, with the exception of 1949. Louisiana Land, now 38¾ against 1951 high of 39 and 1942 low of 3½, has made new highs for the last 7 consecutive years. It is moderately priced on 1950 estimated earnings of around \$3 a share and \$2.50 in dividends, yielding over 6.4%. Kern has earning power around \$6 a share and, on the \$4.50 paid last year, yields close to 7.5%. Texas Pacific is earning only around \$3 a share, paying only \$1.70 for a yield of barely more than 2%. This column's choice would be Louisiana Land.

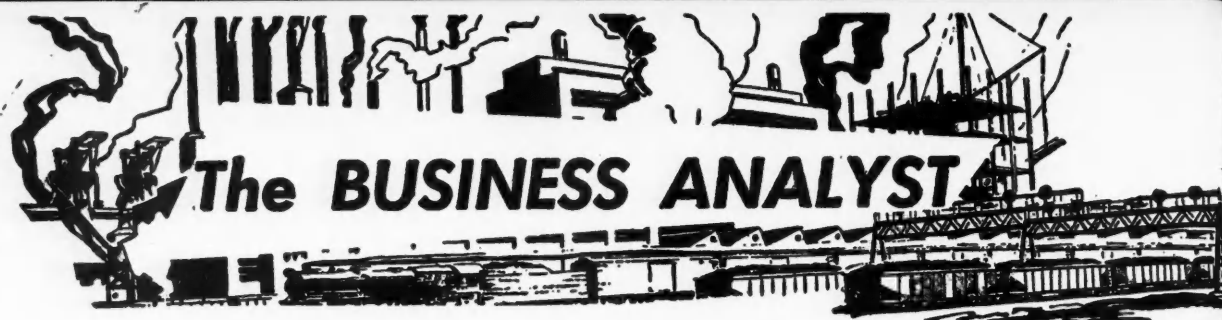
Solar Aircraft

Solar is a fairly small company which has had sharp growth over the last 12 years or so. It is one of the largest suppliers of jet-engine parts, with replacement sales usually most important. As early as the fiscal year ended April 30, 1949, sales had reached a level equal to about 85% of its peak volume in World War II, a ratio equalled by no other company in the aircraft field, so far as this

(Please turn to page 112)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1951	1950
Robbins Mills	March 3 Quar.	\$1.43	\$1.62
Int'l Rwy. of Cent. Amer.	2 Mos. Feb. 28	3.33	4.18
Masonite Corp.	6 Mos. Feb. 28	.92	2.32
Southern Co.	12 Mos. Feb. 28	1.07	1.24
Murray Corp. of America	6 Mos. Feb. 28	2.84	3.39
Caterpillar Tractor	2 Mos. Feb. 28	.93	1.08
Deere & Co.	Jan. 31 Quar.	.85	2.27
Bangor & Aroostook R.R.	2 Mos. Feb. 28	1.09	2.37
Raytheon Mfg. Co.	9 Mos. Feb. 28	.26	.48
Loews, Inc.	16 Weeks Mar. 15	.43	.65



What's Ahead for Business?

By E. K. A.

The stage may be set for another period of inventory recession similar to that in the forepart of 1949, says the business survey committee of the National Association of Purchasing

Agents in its latest report. The committee finds that the end of March showed a sharp decline in orders, and that industrial material prices have levelled off, despite the many required exceptions to price ceilings. Also: Employment runs high but lay-offs or time cuts are expected because of civilian production cut-backs. And purchased material inventories are generally reported badly out of balance. As a result, there has been a substantial cutback in the length of buying commitments. Though many more military contracts have been placed, and with a wider coverage of industry, their current influence shows up more in plant expansion and "make ready" operations than in production.

The foregoing summary of business conditions jibes closely with previous observations, pointing to at least a temporary let-down in coming months. Finished goods pipelines are full, yet consumer buying is lagging and there is increased resentment against high prices. Little wonder that talk of shortages has almost completely disappeared; instead there are now prophesies of price cuts, stepped up special sales, mounting worry about inventories. Textile business is "apt to be dull" for two to three months, says a leading industry spokesman. It takes at least that long for the current "indigestion," caused

by excessive goods supply in the market, to work itself out.

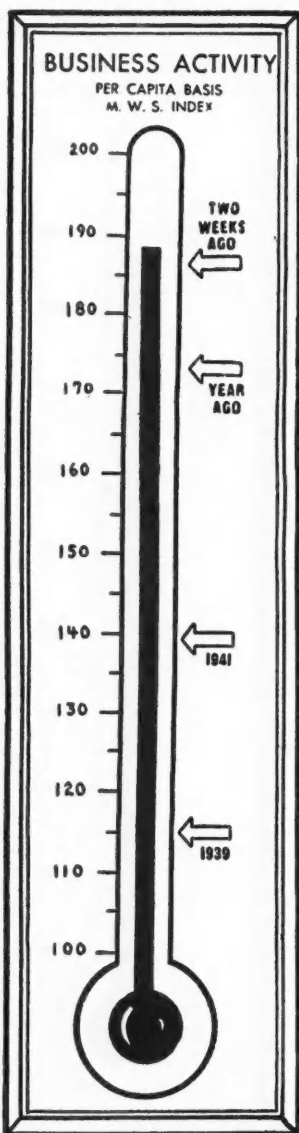
A strange note is struck in recent Detroit dispatches. The automobile industry, it is said, is emphasizing truck production to offset an alarming decline in the demand for new passenger cars and an almost complete disappearance of the used-car market. Auto dealers once more have to sell the hard way, at the very time of the year when would-be buyers normally flock to the show rooms. New car business is fair but spotty. Obviously, thousands purchased new cars during the winter in fear of a spring shortage and higher prices, and they are now out of the market. The situation may not apply to all makes of cars, but the trend is in that direction. A change indeed from conditions only a few weeks ago.

There is plenty of evidence of surfeit of many consumer goods. Latest estimate of business inventories came to a record total of \$65.1 billion, up \$13 billion from a year ago. What gives this new figure an ominous twist is the accompanying decline in sales. While businessmen were adding \$1.8 billion to their supplies during the month of February, their sales dropped fully \$2.9 billion. On top of that came a poor Easter shopping season and dull post-Easter sales.

It stands to reason that nobody could expect consumer buying to hold the frantic pace of early spring but for the merchant with top-heavy inventories, this is small consolation. For many, even a moderate slackening in sales can spell quick trouble, particularly if they are loaded with debts and inventories. And trouble of this sort is already occurring. Banks are less willing to extend inventory loans, insist on scaling down their commitments. Inventory sales are the logical result. The question is how successful will they be? The answer depends on price concessions. The public can always be depended upon to pick up "bargains"; it is little interested if prices remain high. Bargain sales thus are the likely answer. But there is good reason to believe that the parade will not be joined by those financially able to "hold out." The view predominates that later in the year, output will be down and demand should outstrip supply. But that, too, remains to be proved.

So far, the arms effort's bite into civilian business has remained small and it may not soon expand at a rate sufficient to force radical cutbacks in the majority of civilian industries. It is one reason why the anti-inflation crusade has lost some of its zip.

This is so despite the latest decision to institute a Controlled Materials Plan July 1 after considerable controversy over the desirability of such a move in the near future. The new CMP will regulate the flow of steel, copper and aluminum into three big economic fields—direct defense, defense supporting activities and industrial expansion—but it will not directly regulate the supply of metals for the consumer durable goods industries. These will have to shift for themselves, divide among themselves what's left after essential needs have been met. But impacts will likely be delayed.



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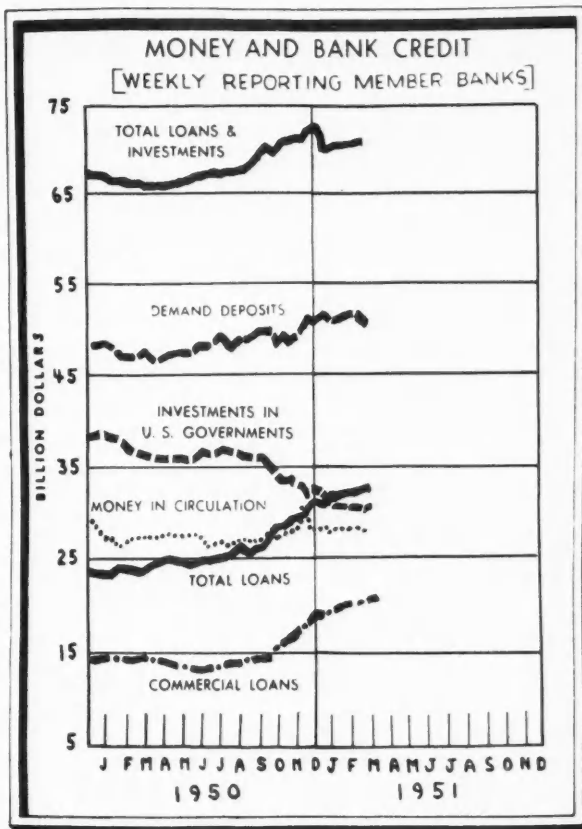
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The Business Analyst

HIGHLIGHTS

MONEY AND CREDIT—The Treasury's exchange of new 2½% long term non-marketable bonds has been successfully completed. Of \$13.45 billion in subscriptions, about \$5.58 billion were accounted for by the turning in of 2½s held by the Federal Reserve and in Treasury investment accounts, with the remaining \$7.86 billion coming from exchanges by private investors. It is believed at the Federal Reserve that the offering has succeeded in draining off a significant part of the long term bonds that investors, notably insurance companies, had been selling to obtain cash for lending purposes. All but about \$6 billion of the outstanding 2½s of 1967-72 were turned in. These latter, though presumably in the hands of investors who intend to hang on to them, presumably could still create a support problem for the Federal Reserve though owners have been put on notice that they will no longer be able to count on price pegs at or above par. As a matter of fact, the 2½s last week dipped below 99, to the lowest price since they were marketed in 1945. Withdrawal of official support at around 99 followed expiration of the exchange offer. It is felt that their future price course and that of other key U. S. Government securities may depend on the success in controlling the volume of business lending. As to the latter, it is still impossible to say whether the long overdue seasonal decline is about to begin. Business loans continue high but there has been a small decline in outstanding consumer credit. With greater attention given to top-heavy inventories, though, it would be reasonable to expect at least a moderate downturn in commercial loans in the weeks ahead though quite possibly any such trend might for a time at least be obscured by an offsetting rise in loans to finance defense production. Bond market observers believe that uncertainty in the municipal bond market has about run its course. Prices have declined and yields risen rather sharply since the latest flurry in Treasury issues has unsettled the municipal sector. The latter had advanced sharply up to about a month ago on expectations of ever higher Federal taxation. Financial observers think that the outflow of gold will diminish in the months to come. Two weeks ago, the nation's gold stock suffered a loss of only \$1 million. Last week, although it declined \$49 million, the loss was exactly balanced by a fall of foreign deposits with the Federal Reserve Banks of the same amount. The gold stock, now down to \$21.8 billion, is at the lowest level since September 3, 1947. The gold loss since July 19, roughly coincident with the outbreak of war in Korea, totals \$2.4 billion of which \$900 million were withdrawn this year.

TRADE—Slower retail trade and increasing concern over high inventories continues to mark business developments. For the week ended March 31, department store sales fell 14% below year ago levels compared with a 9% increase in the preceding week. For the year to-date, sales are now only 17% ahead of last year—a gain more than fully accounted for by higher prices. Significantly, retail sales in New York and Philadelphia dropped below a year ago for the second successive week though it must be noted that last year's comparable week was the final week before Easter when business is normally high. Indications are that many merchants will seek to crack the inventory situation with large scale promotions in the near future.



INDUSTRY—Industrial production in March set a new post-war high, with the FRB industrial production index estimated at 223% of the 1935-30 average as against 221% in January and February, and 218% last December. In terms of our weekly business activity index, there has been a further moderate gain last week as shown in the statistical section on the next page.

COMMODITIES—The downtrend in the general commodity price level continued last week, though irregularly, with moderate declines chiefly among grains and food prices. Futures markets, initially under pressure, tended to rally on Washington comments on the international situation. The re-opened wool market showed weakness, plunging the daily limit of 10c a pound the first day of trading.

CASH DIVIDEND PAYMENTS by American corporations were down 4% in January and February from the same two months of 1950. January payments are estimated at \$493 million and those of February at \$219 million.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Age	Pre- Pearl Harbor*	PRESENT POSITION AND OUTLOOK
MILITARY EXPENDITURES—\$b (e)	March	2.10	1.87	1.09	1.55	(Continued from page 95)
Cumulative from mid-1940	March	411.8	409.7	374.1	13.8	
FEDERAL GROSS DEBT—\$b	Apr. 4	254.9	254.8	255.5	55.2	According to the Council of Economic Advisers, total PRODUCTION of all goods and services in the first quarter jumped to an annual rate of \$316 billion. This was a \$16 billion gain over the pace of the final three months last year. But only about one-fourth of the increase reflected a rise in actual output; the rest was caused by inflation.
MONEY SUPPLY—\$b						
Demand Deposits—94 Centers	March 28	49.5	50.3	46.1	26.1	* * *
Currency in Circulation	Apr. 4	27.1	27.0	27.1	10.7	
BANK DEBITS						Deliveries of new FREIGHT CARS were up sharply in March, totalling 7,011 units—an increase of more than 20% above the 5,842 cars delivered in February. Orders for 11,271 new freight cars in March raised the backlog of cars on order to 158,619. While the steel supply situation has improved somewhat, the 10,000 monthly production goal is not likely to be achieved soon. A car shortage will exist until delivery of a substantial part of the order backlog has been made. And the car shortage is acknowledged to have been one of the prime movers behind rising prices lately. It is now hoped that deliveries may rise to about 9,000 cars in April.
New York City—\$b	Mar. 28	10.5	13.95	8.10	4.26	
93 Other Centers—\$b	Mar. 28	14.93	18.16	12.64	7.60	* * *
PERSONAL INCOMES—\$b (cd2)	Feb.	241	241	215	102	
Salaries and Wages	Feb.	159	157	132	66	The ELECTRIC POWER INDUSTRY expects to install 24 million kilowatts in the next three years. In the last five years it put in 18.5 million kilowatt. Privately-owned firms represent about 80% of the industry, while government-owned agencies make up the rest. Expansion in the past five years cost \$8 billion, while expenditures for the next three years are estimated at \$7 billion. This \$15 billion expansion since World War II is just about triple the industry's original postwar plans. Reasons: defense needs, fears of higher prices and longer delivery periods.
Proprietors' Incomes	Feb.	48	49	44	23	
Interest and Dividends	Feb.	19	19	17	10	* * *
Transfer Payments	Feb.	12	12	18	3	
(INCOME FROM AGRICULTURE)	Feb.	19	20	18	10	
POPULATION—m (e) (cb)	March	153.3	153.1	150.8	133.8	CONSUMER BUYING may slacken during the next two or three months, taking some of the upward push out of prices, says the Bureau of Agricultural Economics. But it adds that such a development would probably be shortlived, with new price pressure generated by acceleration of the arms program and smaller output of consumer goods.
Non-Institutional, Age 14 & Over	March	108.9	109.2	109.0	101.8	
Civilian Labor Force	March	62.3	61.3	61.6	55.6	* * *
unemployed	March	2.1	2.4	4.1	3.8	
Employed	March	60.1	58.9	57.6	51.8	It is now thought that NON-FERROUS SCRAP PRICES will probably be rolled back to their "normal relationship" with primary metal prices. Five orders to that effect are being prepared by the OPS, covering zinc, copper, lead, nickel and aluminum scrap.
In Agriculture	March	6.4	5.9	6.2	8.0	
Non-Farm	March	53.8	53.0	50.8	43.8	
At Work	March	57.5	56.5	54.7	43.2	
Weekly Hours	March	41.3	41.0	39.7	42.0	
Man-Hours Weekly—b	March	2.12	2.10	2.01	1.82	
EMPLOYEES, Non-Farm—m (lb)	Feb.	45.3	45.2	41.6	37.5	
Government	Feb.	6.1	6.1	5.7	4.8	
Factory	Feb.	13.1	13.0	11.0	11.7	
Weekly Hours	Feb.	41.0	41.0	39.7	40.4	
Hourly Wage (cents)	Feb.	156.3	155.3	142.0	77.3	
Weekly Wage (\$)	Feb.	64.08	63.67	56.37	21.33	
PRICES—Wholesale (lb2)	Apr. 3	183.3	183.9	152.5	92.5	
Retail (cdlb)	Jan.	202.3	198.4	183.8	116.2	
COST OF LIVING (lb3)**	Feb.	183.8	181.5	167.9	100.2	
Food	Feb.	226.0	221.9	194.9	113.1	
Clothing	Feb.	202.0	198.5	184.9	113.8	
Rent	Feb.	134.0	133.2	129.7	107.8	
RETAIL TRADE—\$b						
Retail Store Sales (cd)	Jan.	11.8	14.4	9.5	4.7	
Durable Goods	Jan.	4.1	4.2	3.0	1.1	
Non-Durable Goods	Jan.	7.7	10.2	6.5	3.6	
Dep't Store Sales (mrh)	Jan.	0.8	1.5	0.6	0.4	
Retail Sales Credit, End Mo. (rb2)	Feb.	11.5	11.9	9.7	5.5	
MANUFACTURERS'						
New Orders—\$b (cd) Total	Jan.	27.7	23.0	17.0	14.6	
Durable Goods	Jan.	13.8	11.1	7.5	7.1	
Non-Durable Goods	Jan.	13.8	11.9	9.5	7.5	
Shipments—\$b (cd)—Total	Jan.	23.3	21.3	16.0	8.3	
Durable Goods	Jan.	10.5	9.7	6.7	4.1	
Non-Durable Goods	Jan.	12.9	11.6	9.3	4.2	
BUSINESS INVENTORIES, End Mo.						
Total—\$b (cd)	Feb.	65.1	63.3	52.1	28.6	
Manufacturers'	Feb.	35.9	35.3	29.2	16.4	
Wholesalers'	Feb.	11.5	11.3	9.2	4.1	
Retailers'	Feb.	17.7	16.7	13.8	8.1	
Dept. Store Stocks (mrh)	Jan.	2.1	2.3	1.9	1.4	
BUSINESS ACTIVITY—1—pc	March 31	188.9	187.3	170.9	141.8	
(M. W. S.)—1—np	March 31	220.2	218.5	199.1	146.5	

and Trends

PRESENT POSITION AND OUTLOOK

INDUSTRIAL PROD.—1—np (rb)

Mining _____	Feb.	221	221	180	174
Durable Goods Mfr. _____	Feb.	158	164	118	133
Non-Durable Goods Mfr. _____	Feb.	272	269	207	220
	Feb.	199	201	180	151

CARLOADINGS—1—Total

Misc. Freight _____	March 31	401	394	351	379
Mdse. L. C. L. _____	March 31	83	84	87	156
Grain _____	March 31	48	46	40	43

ELEC. POWER Output (Kw.H.) m

SOFT COAL, Prod. (st) m		March 31	10.1	10.1	12.2	10.8
Cumulative from Jan. 1		March 31	135.0	129.9	97.5	44.6
Stocks, End Mo.		Jan.	73.9	72.5	37.2	61.8

PETROLEUM—(bbls.) m

Crude Output, Daily	March 31	6.0	6.0	4.9	4.1
Gasoline Stocks	March 31	124	141	136	86
Fuel Oil Stocks	March 31	37	37	41	94
Heating Oil Stocks	March 31	43	44	38	55

LUMBER, Prod.—(bd. ft.) m

Stocks, End Mo. (bd. ft.) b_____	Jan.	6.5	6.8	6.8	12.
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STEEL INgot PROD. (st) m

Cumulative from Jan. 1	Feb.	16.60	8.84	14.73	74.
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ENGINEERING CONSTRUCTION

AWARDS—\$m (en)	Apr. 2	238	415	253	94
Cumulative from Jan. 1	Apr. 2	4,181	3,943	2,848	5,692

MISCELLANEOUS

Paperboard, New Orders (st)t_____	Mar. 31	258	189	223	165
Cigarettes, Domestic Sales—b_____	Feb.	29	34	26	17
Do., Cigars—m_____	Feb.	435	459	415	543
Do., Manufactured Tobacco (lbs)m_____	Feb.	18	20	17	28

Business **INVENTORIES** continued their post-Korean climb in February, at the end of that month reaching a new high of \$65.1 billion, according to the Commerce Department. This compared with \$63.3 billion at the end of January and \$52.1 billion a year ago. While an increase in February is "normal" from a seasonal standpoint, the upswing this year was about \$1.1 billion greater than seasonal. Total **SALES** of manufacturers, wholesalers and retailers in February were estimated at \$41.9 billion, a drop of \$1.2 billion from January after allowance for seasonal factors.

* * *

The Government ordered a further cut in the use of **TIN CANS** for packing civilian products during the second quarter, with the quota slashed from 90% to 75% of average use in the like 1949 and 1950 quarter, whichever year the canner has agreed to go by.

* * *

PASSENGER CAR OUTPUT has remained higher than anyone expected. March production exceeded 600,000 cars compared with 500,000 in February and 470,000 in March 1950. First quarter output was more than 1.6 million, well ahead of the 1,34 million turned out in the same quarter of last year.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9-100), using Labor Bureau and other data. e—Estimated, en—Engineering News-Record. I—Seasonally adjusted Index (1935-9-100). lb—Labor Bureau. lb2—Labor Bureau (1926-100). lb3—Labor Bureau (1935-100). lt—Long tons. m—Millions. mpt—At mills, publishers, and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—New Adjusted Series.

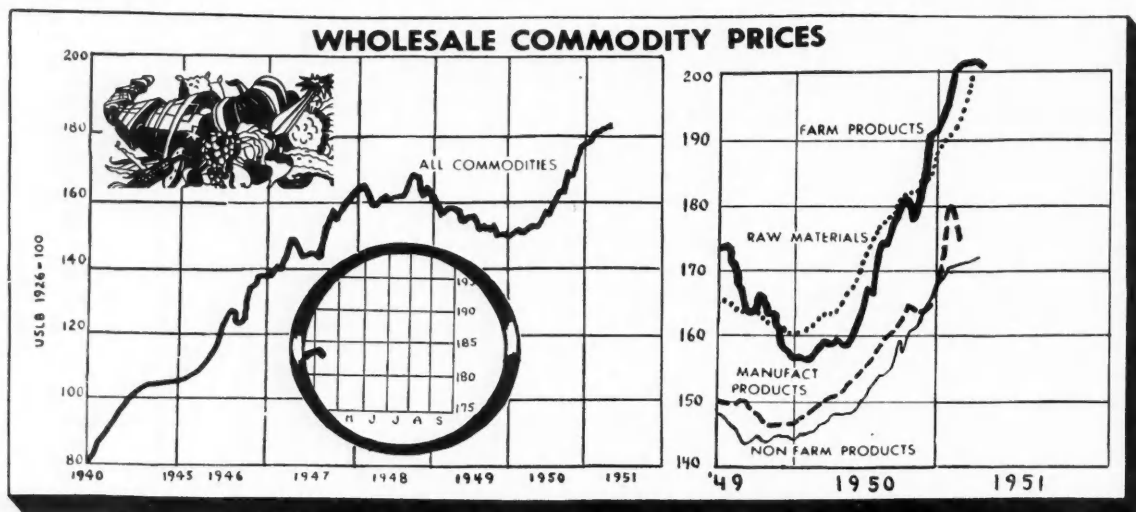
THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Close—100)	High	Low	1951 Indexes	Mar. 31	Apr. 7	(Nov. 14, 1936, Cl.—100)	High	Low	Mar. 31	Apr. 7
334 COMBINED AVERAGE	196.8	182.0	183.1	186.3		100 HIGH PRICED STOCKS	117.0	108.8	109.84	111.55
4 Agricultural Implements	292.7	252.9	263.8	263.8		100 LOW PRICED STOCKS	245.8	226.5	228.61	232.13
10 Aircraft ('27 Cl.—100)	333.0	286.7	286.7	299.1		5 Investment Trusts	88.7	84.8	83.9	84.8
7 Air Lines ('34 Cl.—100)	725.5	648.4	699.4	719.0		3 Liquor ('27 Cl.—100)	1202.0	1078.1	1078.1	1101.0
8 Amusement	101.4	90.8	92.0	91.1		11 Machinery	206.4	191.1	191.1	193.0
10 Automobile Accessories	257.6	240.3	246.1	250.7		3 Mail Order	152.0	133.3	136.0	137.3
11 Automobiles	46.3	42.0	42.6	43.4		3 Meat Packing	109.1	97.1	97.1	98.1
3 Baking ('26 Cl.—100)	23.2	21.1	22.4	22.8		13 Metals, Miscellaneous	280.9	245.4	245.4	247.9
3 Business Machines	351.5	300.8	339.8	345.6		4 Paper	371.2	344.3	349.6	353.0
2 Bus Lines ('26 Cl.—100)	183.1	160.8	160.8	164.3		29 Petroleum	389.8	355.0	355.0	365.7
6 Chemicals	364.3	326.0	346.2	356.0		30 Public Utilities	152.8	142.5	142.2	148.6
3 Coal Mining	18.3	14.9	14.9	14.9		9 Radio & TV ('27 Cl.—100)	31.4	26.6	29.1	29.6
4 Communication	72.5	63.2	66.3	66.3		8 Railroad Equipment	73.8	64.3	64.3	65.7
9 Construction	68.9	60.2	68.3	68.9		24 Railroads	45.4	39.3	39.3	40.8
7 Containers	412.8	376.5	388.8	396.1		3 Realty	41.0	39.0	39.0	39.0
9 Copper & Brass	147.1	132.8	132.8	138.0		3 Shipbuilding	181.0	154.2	154.2	157.5
2 Dairy Products	83.4	79.1	78.3	79.2		3 Soft Drinks	395.5	343.6	360.8	357.4
5 Department Stores	84.5	71.8	71.8	71.8		15 Steel & Iron	169.5	147.4	147.4	153.3
6 Drugs & Toilet Articles	235.0	213.8	221.1	224.2		3 Sugar	75.4	66.5	68.1	68.8
2 Finance Companies	288.5	243.0	283.6	288.5		2 Sulphur	470.9	425.3	429.7	442.7
7 Food Brands	200.9	185.9	191.4	191.4		5 Textiles	223.6	195.4	195.4	199.4
2 Food Stores	118.4	110.6	116.2	116.2		3 Tires & Rubber	55.9	51.2	53.3	53.8
3 Furnishings	75.0	69.4	70.3	71.0		6 Tobacco	86.1	81.0	81.0	81.8
4 Gold Mining	724.1	613.8	651.7	646.1		2 Variety Stores	320.7	319.5	319.5	319.5
						20 Unclassified ('49 Cl.—100)	127.3	119.7	120.8	122.0

Trend of Commodities

There has been no interruption in the irregular downtrend of the general spot commodity price level, with easiness particularly in grains and foodstuffs. The commodity futures markets, under pressure for a time on talk of an impending inventory recession, tended to rally later in response to Washington comments on the seriousness of the international situation. Cotton made a vigorous comeback following sharp earlier declines. Coffee recovered also but cocoa remained largely unchanged. Copper and zinc showed gains for last week. Lard was lower, and cottonseed and soybean oils also turned somewhat easier. Sugar was off. Lead remained unchanged while tin showed some decline. Wheat futures latterly strengthened, however, following pessimistic crop reports, and other grain futures were sympathetically higher. Trading in wool futures, suspended since the January 26 general price freeze,

was resumed last week as a result of the OPS announcement of specific ceiling prices on wool futures. Prices plunged the daily limit of 10¢ a pound on the first day of trading. Heavy selling by commission houses and inventory hedging by mills was attributed to the latest drop of wool prices on the world market. Australian auction prices dropped sharply in the absence of U. S. buying, last week alone as much as 15% to 30%. Fine Australian fleece that brought as much as \$4.20 a pound in Boston last month has since dropped to \$3.50. But that's still high; it was around \$1.90 a year ago. As recently as early 1947, it sold at \$1.10. The rubber market, reopened for liquidation of the outstanding interest, was closed again on March 30. There is pressure in Congress to end a two-price system on lead and raise price ceilings on lead and zinc to world levels. Meanwhile controls on lead were drastically tightened.

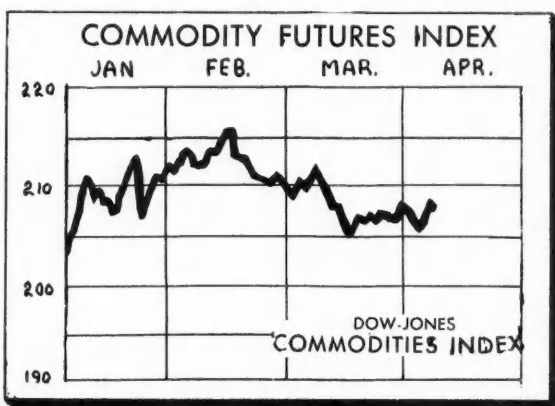
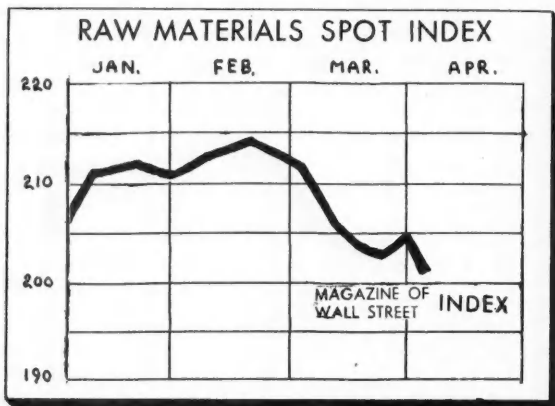


U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices—August, 1939, equals 100

	Date	2 Wks.	3 Mos.	6 Mos.	1 Yr.	Dec. 6
	Apr. 6	Ago	Ago	Ago	Ago	1941
28 Basic Commodities.....	374.6	378.3	374.3	326.6	247.0	156.9
11 Imported Commodities.....	413.1	415.7	404.6	350.0	250.9	157.3
17 Domestic Commodities.....	351.6	355.9	355.9	312.3	244.5	156.6

	Date	2 Wks.	3 Mos.	6 Mos.	1 Yr.	Dec. 6
	Apr. 6	Ago	Ago	Ago	Ago	1941
7 Domestic Agriculture.....	405.4	411.0	396.7	345.7	305.8	163.9
12 Foodstuffs.....	392.3	397.1	392.7	350.4	308.7	169.2
16 Raw Industrials.....	365.3	368.4	362.1	315.0	219.3	148.2



14 Raw Materials, 1923-25 Average equals 100

	Aug. 26, 1939—63.0			Dec. 6, 1941—85.0				
	1951	1950	1947	1945	1941	1939	1938	1937
High	214.5	304.7	164.0	95.8	74.3	78.3	65.8	93.8
Low	201.4	134.2	126.4	93.6	58.7	61.6	57.5	64.7

Average 1924-26 equals 100

	1951	1950	1947	1945	1941	1939	1938	1937
High	215.4	202.8	184.4	111.7	88.9	67.9	57.7	86.6
Low	202.0	140.8	123.0	98.6	58.2	48.9	47.3	54.6

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Keeping Abreast of Industrial • and Company News •

While camera fans need no reminder that production of films has become big business, few may realize the great amount of photographic fixers now needed for their development. A recent announcement by **Eastman Kodak Company** throws an interesting sidelight on this subject. The company has installed a new "fixer mixer" six stories high, constructed of stainless steel, capable of producing nearly a carload of these chemicals per day. By automatic controls, seven individual photo fixer components in an infinite number of formulas can be handled by this huge machine.

For some time past, **Firestone Tire & Rubber Company** has attained diversification through production of steel barrels and other metal products. As a result of this experience, the company has received an initial defense order calling for the delivery of \$4.6 million of tank cannon. Special machine tools for the work have been assembled from 16 widely separated points in the nation where they have been mothballed in Government arsenals since World War II. This equipment weighs more than 1500 tons, and would require a single freight train of 110 cars for transportation. Installation of this machinery is already under way, and by next month delivery of the first cannon is scheduled to commence. Approximately 600 people are being given employment.

Another concern that will soon be producing a military item not associated with its normal output, is **Elgin National Watch Company**. This concern helped to develop a new ammunition component for the Navy, and will soon be tooling up for the first order in an auxiliary plant that the company closed after the late war. For security reasons, details of the contract are withheld. This was the second major military contract received by the firm.

A Swiss concern that claims to have been the pioneer producer of aluminum foil has completed and placed into operation a modern plant to produce this material in the United States. The **Swiss Aluminum Company, Ltd.** of Lausanne, Switzerland, through its subsidiary, Aluminum Foils, Inc., for two years past has been constructing a highly modern plant at Jackson, Tennessee, with a floor area of 100,000 square feet. Except for a few technicians, American personnel will be used throughout the operations. The company needs no introduction to the domestic aluminum industry, as it has been selling ingots here for thirty years past.

Sylvania Electric Products, Inc. has developed an interesting new line of permanent magnets containing only non-critical material for applications in radio and television receivers, military equipment,

etc. These new magnets avoid the use of cobalt, nickel and aluminum, yet have suitable magnetic qualities. Previous attempts to conserve cobalt have resulted in increased use of nickel and copper. Production of the permanent magnets in commercial quantities is expected at an early date.

A New expanded plastic for use in making life rafts, buoys and other flotation equipment has been developed by **United States Rubber Company**. The product, known as Expanded Royalite, is honey-combed with millions of tiny non-connecting cells which make it extremely light. It is strong, not affected by sun or salt water, and will stay afloat indefinitely. Life rafts of the material large enough to support sixty men can be molded in one piece. In its basic form, the material comes in flat sheets that can be formed by conventional thermoplastic techniques or it can be molded to shape.

Work has just commenced on a \$3 million Israel-American tire and rubber plant in Haifa. A. L. Freeland, president of the **Davton Rubber Company**, which has designed and will operate the plant for ten years, together with Franklin D. Roosevelt, Jr. and several other well known Americans participated in many phases of the negotiations. The new venture has been incorporated as the Alliance Tire & Rubber Company, Ltd. The plant will have a capacity for 100,000 tires, or almost enough to meet present requirements for non-military vehicles in Israel.

Louis Ware, president of **International Minerals & Chemicals Corporation**, has announced that his company will construct a new phosphate chemical plant in Florida which will also recover uranium as a by-product. The new facility will be located adjacent to International's phosphate mining property on Polk County, and is expected to cost approximately \$10 million. The initial objective of the new plant's operation will be to produce defluorinated phosphate for the animal feed industry and multiple superphosphate for chemical fertilizers.

A 19-foot aircraft propeller, largest ever built for turbine engines by Hamilton Standard Division of **United Aircraft Corporation**, is being tested by the Air Force. The big propeller has a double purpose. It can be used on the highest powered piston engines now being considered as well as on medium horse power turbines. In contrast to the size of this new Turbo-Hydromatic, two five pound pumps about the size of an inkwell can rapidly change the pitch of the four big hollow steel blades. This series incorporates experience gained in more than 2600 hours of flight and ground testing of Hamilton propellers in the last five years.

A new freight car bulkheading device, designed to minimize damage to goods in transit by preventing the shifting of loads, has been announced by **Pullman-Standard Car Manufacturing Company**. The device, called a "Compartmentizer", consists of adjustable steel gates that can divide the car into three or more sections according to the number of gates employed. With no loose parts requiring installation or removable, the device hangs from a trolley running the full length of the car, and when not in use can be gathered in a small space at the end of the car. By this method, the need for designation as special purpose cars is eliminated. These Compartmentizers are adaptable to all refrigerator and box cars.

Featuring some of the longest links between terminals ever used in a microwave system, a 500 mile Philco communications system is being installed for the **El Paso Natural Gas Company** across an area between Fruitland, New Mexico and a point in Arizona near the California border. While previously installed microwave systems use relay stations averaging 20-40 miles apart, this one will have them spaced at an average of 50 miles, due to the use of mountain top sites. Philco Corporation has made practical this communications system at a cost between \$500 and \$700 per mile. Due to the very difficult terrain, pole and wire line costs would probably be prohibitive.

Underwood Corporation is offering a new calculating machine with automatic printed multiplication, divisions, addition and subtraction, with a simple ten-key panel for touch operation. This efficient machine can compute payrolls, inventory, interest, percentages, discounts and all statistical calculations in the complicated operations of manufacturing, banking, insurance, railroad transportation, merchandising and government, yet with a very simple operation of its own it provides printed proofs.

Only about seven years have elapsed since **General Mills, Inc.** started its Chemical Division, with a modest plant in Belmond, Iowa to process soybean derivatives. Since then a huge plant has been operating at Kankakee, Illinois, and by the end of 1951 will have been much enlarged. At Rossford, Ohio, one of the most modern soybean processing plants, on elevator and oil refinery will be ready for the current year's crop. Upon its completion, General Mills will have an annual soybean capacity of 8 million bushels, thus enhancing the company's leading position in the soybean industry.

At least fifty witnesses before the House Public Works Committee are being given a chance to debate the pros and cons of the proposed \$818 million dollar St. Lawrence seaway project. Stockholders of **M. A. Hanna Company** were recently informed by George M. Humphrey, president, that plans for handling the company's iron ore from the vast new deposit in Labrador envisages the eventual completion of the seaway to permit the use of large boats for the entire distance. As it now looks as construction will be deferred perhaps, Hanna plans to ship the ore to Montreal and thence by canal boats to the Great Lakes.

The **American Safety Razor Company** has been awarded an \$8 million fixed-fee contract with the U. S. Army Ordnance Corps to operate a shell-loading plant at La Porte, Indiana. In order to function in the most desirable manner, the company has

formed a new division, known as the **American Safety Razor-Kingsbury Corporation**. Sidney Weil, executive vice president of the parent company, has been named general manager of the new unit. About 400 people will be employed, about half of them women.

In near term months, **Air Reduction Company** plans to start construction of a new plant at Calvert, Kentucky. The new unit is expected to cost around \$10 million and is designed to increase substantially the nation's supply of calcium carbide, a chemical highly essential for the defense effort. The magnitude of the project is shown by the fact that operations will require about a million kilowatt hours of electricity per day, or enough to serve a city of 250,000 persons. A Norwegian firm has designed two electric furnaces that will be the first of their kind ever used for the production of calcium carbide. Operations of the new plant are scheduled to begin early in 1953.

If stockholders of **Gentry, Inc.** approve, the business and assets of this dried food seasoning manufacturer will be acquired by **Consolidated Grocers Corporation of Chicago**, the largest concern in the field. Gentry also is a sizeable and long established company. An exchange of stocks is involved in the transaction, with one share of Consolidated Grocers offered for each five shares of Gentry.

United Gas Pipe Line company has awarded a \$25 million contract to construct 1000 miles of new pipeline in Mississippi, Louisiana and Texas, for the transportation of natural gas. This concern is a subsidiary of the giant **United Gas Corporation**, an affiliate of **Electric Bond & Share**.

The Atomic Energy Commission has selected **Proctor & Gamble Company** to operate a \$22 million facility at the Pantex ordnance plant near Amarillo, Texas. On this huge reservation, 4000 acres have been set aside for the new plant mentioned, but just what product will come forth has been kept a secret. In the last war, Proctor & Gamble engaged in military production on quite a scale.

Continental Oil Company has substantially enlarged its distribution facilities by the recent acquisition of **National Oil Corporation of Kentucky**. The latter concern is a large and well established distributor of petroleum products in Kentucky, as well as in Indiana. At Louisville, National owns a combined water terminal and bulk plant, and bulk distributing or service facilities in a number of other locations.

United States Tobacco Company, an important producer of snuff, chewing and smoking tobaccos, has agreed to purchase the business of **Fleming Hall Tobacco Company, Inc.**, manufacturers of cigarettes and smoking tobacco. The deal is said to involve more than \$4 million, but this has not been verified.

Continued insistent demand for cement has induced another large producer of this essential material to expand its facilities. **Alpha Portland Cement Company** has announced plans to enlarge the facilities of its Jamesville, N. Y. plant at an estimated cost of \$3 million. Upon completion, the capacity of this unit should about double to one million barrels from 500,000 presently. About a year will be required to complete the improvements.

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Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Sperry Corporation

"I understand that Sperry Corporation has received some very substantial military contracts. Would you please advise on company's backlog of orders, its recent earnings and also please tell me something about the company's postwar developments."

T. D., Peoria, Illinois

Sperry Corporation showed earnings of \$9,588,718, equal to \$4.72 per share for 1950 on shipments of \$162,454,591. This compares with earnings of \$5,328,555, or \$2.62 per share, the previous year on shipments of \$114,048,818. Requirements for existing and new military products, together with the demand for Sperry's farm equipment and other commercial products, were responsible for the increase in business in 1950.

Unfilled orders at the end of February, 1951, amounted to \$350 million, compared with \$202 million at the same date in 1950. Government orders represent the principal component of the backlog.

Sperry increased its net investment in facilities in 1950 by \$7,622,453, the most important addition being the Nassau Plant at Lake Success, Long Island, which was purchased from the Government for the corporation's Sperry Gyroscope Company Division.

Several postwar developments had passed the test stage in 1950 and resulted in sizable Government procurement contracts, all of which called for increased delivery rates during 1951. Large production orders were received for

ground and air armament, Zero readers, flight instruments for all-weather fighters, automatic pilots and engine analyzers for bombers, and other aeronautical instruments for the military services. Development work increased during the war on missiles, radar, communications and other special electronic fields.

Sales of the company's farm machinery line increased very substantially in 1950 over 1949. There is also a considerable backlog of unfilled orders for the company's farm equipment line.

The present backlog of orders for military equipment and the probable continuing demand for the company's commercial products, in the light of its expanded production capacity, indicates a further increase in the volume of business in 1951. However, the over-all percentage of profits on sales is expected to be lower in view of the greater proportion of Government business, which normally carries a lower rate of profit than commercial work, and the increased income and excess profits taxes.

Dividends totaled \$2.00 a share in 1950 and the current 50c quarterly rate is expected to continue.

The Kroger Company

"As inventory position of merchandising companies is important, please furnish information on this matter as to Kroger Company and latest earnings for the last fiscal year and dividend rate."

F. D., Racine, Wis.

The Kroger Company's net income for 1950 was \$13,087,542 or

\$3.56 per share after taxes. This was equivalent to approximately 1½¢ per dollar of sales. Sales for the year totaled \$861,242,642, exceeding those of 1949 by 6.6% and setting a new high record for the company.

In 1949, earnings were \$13,636,546. This was equivalent to \$3.71 per share on the number of shares now outstanding. The common stock was split on a 2-for-1 basis in December, 1950. Operating expenses increased \$7,358,122 over 1949, principally due to higher wages.

Dividends, which included an extra, totaled \$1.87½ on the 2-for-1 stock basis were paid during 1950 and the current quarterly rate has been increased to 40c per share.

Merchandise inventories at the end of the year totaled \$72,223,385, compared to the 1949 year-end total of \$64,380,938. Since the Lifo Method of inventory valuation was adopted for the major part of the company's grocery inventories, thereby reducing the stated amount of merchandise inventories by approximately \$3,067,000. Retail inventories represented 21 day supply as compared with 23 day's supply at the end of 1949.

Kroger opened 185 new, relocated or remodeled stores in 1950 at a cost of \$10,152,478 for lease or improvements, fixtures and equipment. An expanded store program is planned for 1951 but it may be materially reduced by the recent order curtailing construction. However, stores now under construction will be completed.

Current assets, including \$25,869,452 in cash, amounted to \$105,595,466 at the end of 1950, while current liabilities were \$55,677,183. Net working capital for 1950 was \$49,918,283.

At the end of 1950 there were 2,054 Kroger Stores in operation in 19 States, a decrease of 136 from the end of 1949.

Sales for the first twelve weeks of 1951 showed an increase of about 21%.

As I See It!

(Continued from page 67)

Administration or by wavering allies. Appeasement, as we should know by now, settles nothing. It is a policy without hope.

Certainly ultimate defeat or a stalemate in Korea, which we are inviting, is more likely to lead to total war than a show of strength and determination. Weakness usually prompts attack. That was General MacArthur's view when he urged that we hit Red China so hard it would stop asking for trouble. It still looks like the most effective means of bringing the war to a satisfactory conclusion.

Certainly it makes more sense than the British-inspired gamble that assumes that peace can be achieved by letting the Reds off with an easy war. Lack of British realism has brought disintegration of Britain's world position and great deterioration at home. To let Britain decide our foreign policy, to yield to the unfriendly propaganda campaigns against us which are aimed to force us to accept appeasement and thereby weaken our own position, would be utterly fantastic.

Market At Major Turning Point?

(Continued from page 69)

without the creation meanwhile of any vacuum of consumer-goods needs to be filled? Some will argue that it is premature to raise this question. We are not too sure that it is. It seems bound to raise itself in the minds of increasing numbers of intelligent investors in no great time in any event; and it might well cast a long advance shadow over the stock market.

Paradoxically, it is conceivable—although it is not yet possible to have a firm opinion about it—that the greater part, or even all, of this defense-created cycle of price inflation has already been seen, while the Government is still operating with a budget surplus! Without war, it will become apparent that the defense program is extravagant and padded in many particulars, and it will become politically expedient to

trim it. It is obvious that inflation has become a political liability, calling for counter-action of one kind or another, if it "perks up" again. It is obvious that the central banking authorities are determined to do everything in their power—and it is very great, and subject to enlargement by Congress—not only to check the fall of the dollar but to restore some of the lost value. That will be a good thing for the country in the long run—but what does it do to the familiar argument for buying common stocks for "inflation protection"?

Global war, or live threat thereof, could invalidate some of the reasoning we have advanced; but would itself unsettle the market importantly for other reasons, including really rigid control and staggering taxes. In the long and large advance from the 1949 lows, the market has arrived at a state in which either peace or full war would knock it down very considerably; and only a semi-war economy is bullish. Even the latter has some limitations, as we have noted heretofore. As to war possibilities, who knows?

All of the considerations cited continue to justify our conservative policy of deferring any overall expansion of stock holdings.—Monday, April 16.

Slicing the Corporate Income Pie

(Continued from page 72)

income (volume) could be produced with a relatively lesser added investment in labor cost. Thus we find a good many instances where the ratio of payrolls to gross income has declined, and whatever increases there have been, were small.

The average ratio of the companies in our sample is 24.3% as against 26.5% in 1949, confirming the overall downtrend that has occurred in spite of higher actual payroll figures in virtually every instance. Thus while labor's participation in corporate income has increased, its slice percentagewise has declined somewhat, reflecting greater efficiency of operations aided in turn by high volume, modernized equipment and other factors that make for labor efficiency. Doubtless the ratio would

rise with any future drop in gross income since labor costs have assumed a considerable degree of rigidity.

1950 Wage Ratios

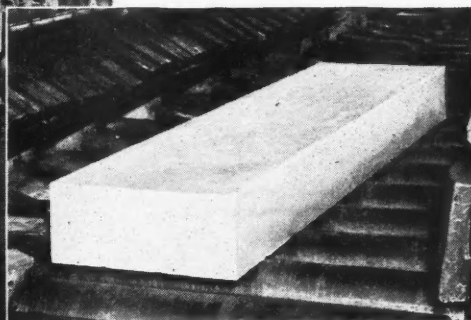
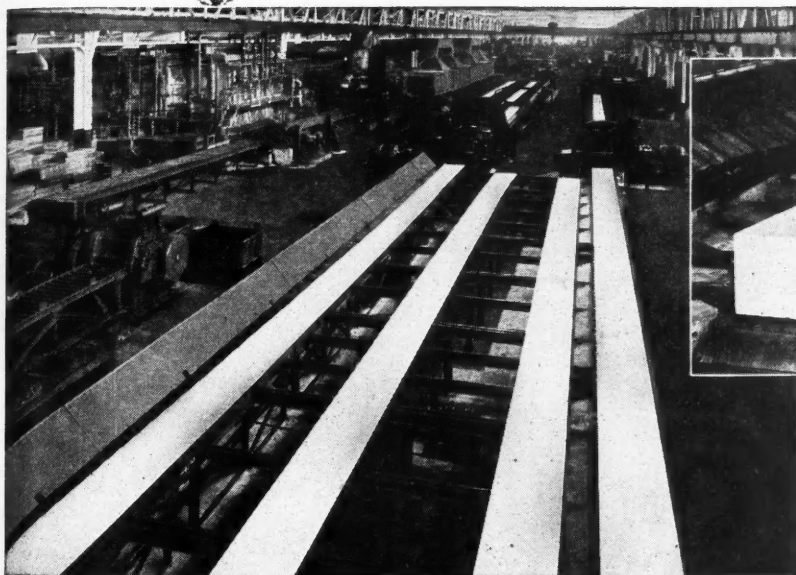
Our table shows up some outstanding examples. In the case of American Airlines, the ratio of payrolls to gross income dropped from 45.6% to 39.4%, quite a sizeable decline reflecting improved utilization of existing equipment and a substantial traffic increase. In the case of Celanese, the ratio dropped from 34% to 25.7%; in the case of Goodyear, it declined from 30% to 25.4%. Monsanto Chemical showed a drop from 27.1% to 22.2%; Radio Corporation a decline from 34% to 29.6%. In the case of U. S. Steel, the ratio dropped from 40.4% to 34% despite an increase in the payroll from \$931 million to \$1,179 million. Main factor behind this showing was of course the rise in gross income from \$2,301 million to \$2,956 million.

Where Ratios Are Higher

Where percentage increases in the ratio have occurred, we usually find a relatively small gain in gross income in the face of higher actual wage costs. Pertinent examples are Armour & Co., Swift & Co., National Dairy and Borden. Chrysler Corporation, too, shows up with a higher ratio whereas General Motors had a moderate decline. Chrysler's increase no doubt leads back to the prolonged strike that plagued the company early last year. But interestingly enough, the Chrysler ratio in itself is nevertheless lower than that of General Motors, the former being 18.2% and the latter 24.2% in 1950. The reason is that GM's total payroll increased more sharply than that of Chrysler.

Viewing overall figures, it is evident that labor has benefitted most from the stockholders' investment which is quite natural since the workers after all are those who produce the goods, the sale of which creates profits. The Government was a runner-up, the stockholders a relatively poor third. In terms of percentage increase, however, the Government heads the parade; its relative share rose far more than that of any of the other partners in corporate enterprise.

Industrial Improvement *Keeps America Strong!*



Above—3,300 lb. heated brass casting, ready for hot rolling. At left are shown the long brass bars after breakdown rolling.

Below—Finish rolling brass strip on new Sendzimir mill. Operating at high speeds, this mill produces bright, clean finished coils weighing up to 2,400 lb.

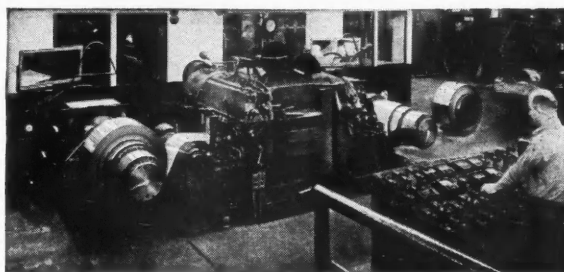
*You don't defend freedom by sitting
tight on your status quo*

American Industry knows it must continue to improve and modernize, advance and expand. There is no other way to meet the grim challenge of mobilization.

The nation's metalworking industries have buckled down to the job of defense production. Anaconda helps them keep step with latest technical advances by continuing its intensive program of mill modernization.

One of the first projects completed in our mill improvement program is the new strip mill at the Buffalo Branch of The American Brass Company. This mill now produces longer and wider coils of brass strip from 3,300 lb. castings (13 times as heavy as could be handled before). These long, joint-free lengths of brass strip are made to remarkably close gage and have an exceptionally bright, clean finish.

Anaconda Copper, Brass and Bronze are in the front line of America's defense program. When world



freedom and justice have been secured, these mighty metals will turn to peacetime tasks. Anaconda is thus serving tomorrow's needs as well as today's.

51321A

ANACONDA®

First in Copper, Brass and Bronze

The American Brass Company
Anaconda Wire & Cable Company
International Smelting and Refining Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company

Only STEEL can do so many jobs so

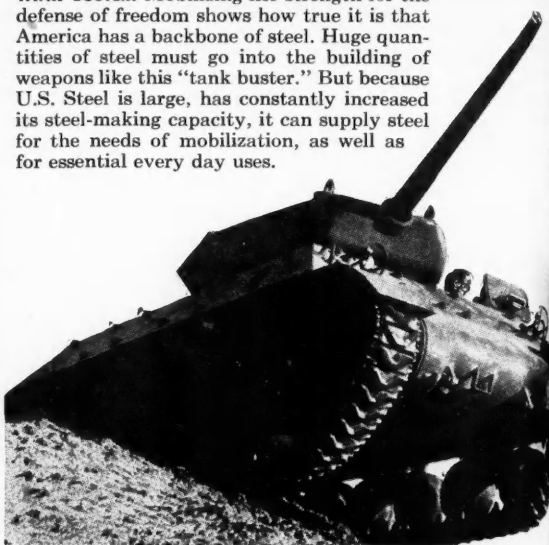


HIGHEST TV ANTENNA. 1250 feet above the sidewalks of New York, a new 222-foot television tower was recently constructed atop the 102-story Empire State Building. For this highest structural steel ever erected by man, all steel parts had to be specially designed so they could be taken up *through* the building—and carried by hand the last few stories. The tough steel, the precise fabrication of it, and the nerveless men who erected it, were all supplied by United States Steel.



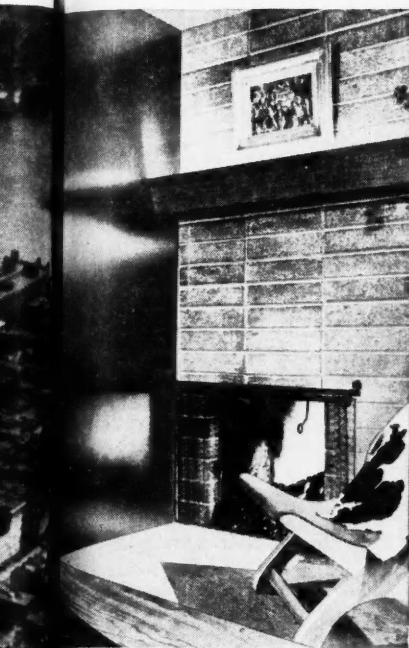
RUNWAYS HAVE IT ROUGH. The touch of a modern airliner on an airport runway is measured in many tons. But when the runway is made of concrete reinforced with steel, these tons of impact are spread over a broad area, and runways last longer. U.S. Steel supplies both the cement (Universal Atlas Cement) and the steel reinforcement (U.S.S. American Welded Wire Fabric).

TANK BUSTER. Mobilizing her strength for the defense of freedom shows how true it is that America has a backbone of steel. Huge quantities of steel must go into the building of weapons like this "tank buster." But because U.S. Steel is large, has constantly increased its steel-making capacity, it can supply steel for the needs of mobilization, as well as for essential every day uses.



AMERICAN BRIDGE COMPANY • AMERICAN STEEL & WIRE COMPANY and CYCLONE FENCE DIVISION • COLUMBIA STEEL COMPANY • CONSOLIDATED WIRE CORPORATION
TENNESSEE COAL, IRON & RAILROAD COMPANY • UNION SUPPLY COMPANY • UNITED STATES STEEL COMPANY • UNITED STATES STEEL EXPORT COMPANY

so well...



REFLECTING SURFACE. You never can tell the days where you'll run into Stainless steel. In the ultramodern Wm. Alexander home in Encino, California, it's used as a reflecting surface beside the fireplace . . . and as a handsome inset in the coffee table. Mobilization will call for lots of Stainless Steel. And United States Steel will contribute plenty of U-S-S Stainless to help build America's security.

FACTS YOU SHOULD KNOW ABOUT STEEL

In the past 50 years, the population of America has doubled. But the American steel industry has increased its production sevenfold.



TIGHT AS A DRUM and made to take a beating. For in these strong, tough, leak-proof steel drums, made by U.S. Steel, everything from soft drink syrup to aviation gasoline is safely shipped and stored . . . all over the world. Only steel can do so many jobs so well.

Listen to . . . *The Theatre Guild on the Air*, presented every Sunday evening by United States Steel, National Broadcasting Company, coast-to-coast network. Consult your newspaper for time and station.

... and this label is your guide to quality steel

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Billions for Greater Industrial Expansion

(Continued from page 77)

deflationary pressures. Hence in appraising the extent and duration of the inflation threat, the new productive facilities to be created deserve considerable attention. In the long run, they will do more to combat inflation than any controls. They could also give rise to ultimate deflation that would assuage prevalent fears about the dollar's future purchasing power. This very thought, we can be sure, is a fundamental one behind the expansion concept.

Not that the official planners are deliberately planning for deflation; their aim is to arrest the long term inflation trend—apart from building up quickly industrial preparedness. Long range, they hope, our growing population will be able to absorb the output of our expanded plant without great difficulties, what with bigger incomes and more savings to spend; and that there will be a new backlog of demands in hard goods fields and residential building arising from cutbacks during the 1951-53 period.

How about the financing aspect? It is estimated that corporations will be able to finance this year about two-thirds of planned expansion from internal funds, including both undistributed profits and current depreciation allowances. If this is so, the capital requirements problem is not likely to be severe, considering also the availability of Government aid where needed or wanted.

Some belt-tightening by stockholders may be required, however. The higher income tax rate, EPT and possibly smaller margins are apt to bring 1951 earnings below those of last year while at the same time, the need for retention of earnings is likely to rise. This of course is a generalization, though a valid one. Actual policy and experience may vary a good deal among individual corporations.

Even should dividends suffer somewhat, there is a silver-lining. Expansion will mean not only a further growth in productive capacity and hence in potential earning power, but also a corresponding increase in net assets, enhancing fundamental share values. Just look what happened in postwar.

The rebuilding and expansion of facilities required an enormous investment of new capital, the principal source of which has been the earnings of business itself. During the five years 1946-50, less than half of net income of all U. S. corporations was paid out in dividends, the proportion ranging from a low of 36% to a high of 46%, and amounting to 41% last year. Undistributed income aggregating over \$55 billion for the five years was retained for building up property accounts and working capital. By obtaining most of its new funds in this manner, business avoided the increase in indebtedness that would have been involved in borrowing.

It was a policy that has often been roundly criticized—by labor which wanted higher wages, and by stockholders who resented skimpy dividend treatment, and doubtless there have been many cases where stockholder criticism was justified. Still and all, it is primarily because of high earnings retention for financing growth and improvement that industry today is in such a strong condition—physically and financially—to meet the requirements of national defense and at the same time maintain a high output of civilian goods. Without such growth, the inflation threat today would be far more serious with resultant need for drastic controls.

Problems of the Liquor Companies

(Continued from page 91)

maintains most of its productive facilities in the United States, and these subsidiaries of course are subject to U. S. taxes. The company's fiscal year ends August 31. Abnormal demand in the three months following Korea, combined with variations in the exchange rates of Canadian and U. S. currencies, aided in lifting fiscal 1950 sales to a new high of \$343 million, and although income taxes of \$22.1 million cut severely into taxable earnings of \$51.2 million, final net of \$27.9 million or \$9.68 per share was at an all-time peak.

As an indication of continued good business, Walker-Gooderham recently reported net earnings of \$14.5 million for six months ended February 28, 1951, equal to \$5.02

per share as against \$4.90 the year before, despite increased taxes. The longer term growth of this company has been very impressive, as in only three of the past 16 years has volume failed to advance, and during this period net earnings have increased almost nine-fold. It is estimated that about one-eighth of all the whiskey and one-third of all the gin consumed in the United States is produced by this firm. Well assured quarterly dividends of 75 cents a share and a probable year-end extra are a strong prospect.

Distillers—Seagrams

Distillers Corporation-Seagrams, Ltd., another Canadian distiller, continues to do the largest business in the entire industry, as shown by sales of \$677.9 million in the fiscal year ended July 31, 1950. A substantial majority of the company's large operations are in the United States. In the period cited, in which the post-Korean boom had barely started, \$4.77 per share was earned compared with \$3.96 in fiscal 1949.

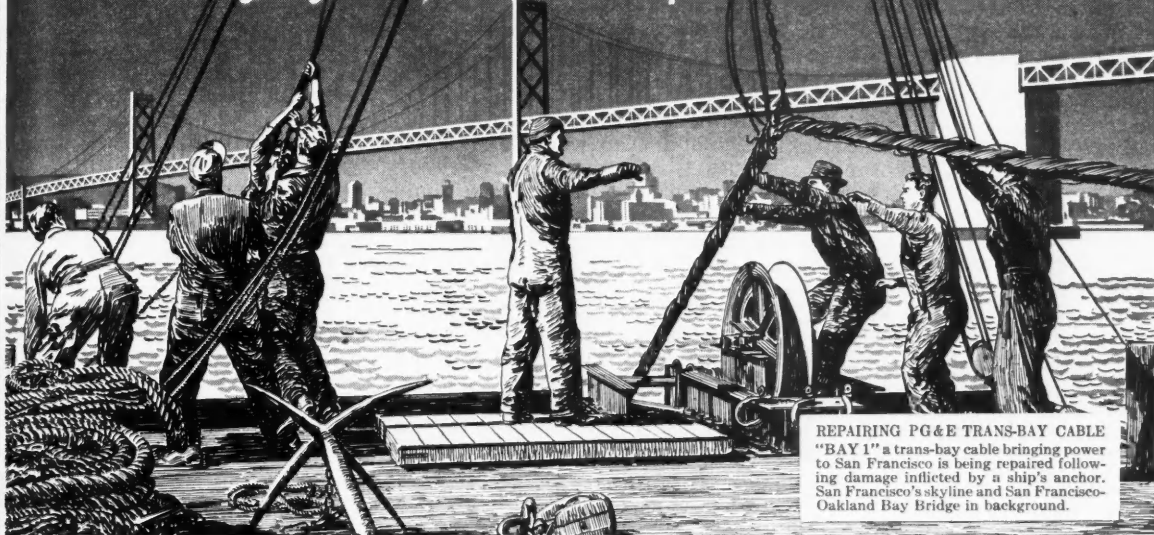
How well the company has done in the first six months of fiscal 1951 is shown by sales of \$485.5 million versus \$365 million in the corresponding interval the year before. On this enlarged volume, operating margins widened and pretax income not only permitted ready absorption of \$39.4 million taxes, but enable net earnings to rise to \$3.68 per share from \$2.59.

Distillers Corporation-Seagrams has an enviable financial position, with current assets of \$335.4 million compared with current liabilities of only \$50.2 million. If \$94 million funded debt were included, the company would still have \$191 million working capital left. All considered, the equities of this company seem quite sound. Conservative dividends of 30 cents a share are secure and chances for a near term extra are good.

While space limitations preclude discussions of all the distillers listed in our table, it is obvious that all the leading units in the industry have benefitted by the restoration and enlargement of their whiskey reserves and rapidly expanded demand. In common they face some uncertainties, though, centering primarily on consumption trends in 1951 and possible shortages of essential containers.

PG&E

Highlights of the Year's Operations....1950



REPAIRING PG&E TRANS-BAY CABLE
"BAY 1" a trans-bay cable bringing power to San Francisco is being repaired following damage inflicted by a ship's anchor. San Francisco's skyline and San Francisco-Oakland Bay Bridge in background.

GROSS OPERATING REVENUES exceeded those of the previous year by \$20,213,000, or 9.3%, reaching a new peak of \$237,437,000. Moderately higher rates charged for both gas and electric service contributed to this gain.

SALES OF ELECTRICITY totaled 11,042,000,000 kilowatt-hours, and sales of gas 172,683,000,000 cubic feet, exceeding the corresponding figures in 1949 by 8.6% and 3.9%, respectively.

MORE NEW CUSTOMERS were connected to our lines than in any previous year, except 1948. The gain was 126,995, bringing to 2,386,210 the number served at the year-end in all branches of our operations.

CONSTRUCTION EXPENDITURES aggregated \$168,634,000, compared with the peak of \$192,480,000 established in the previous year. These expenditures will be further reduced in 1951.

THE "SUPER INCH" gas transmission line for the importation of gas from Texas and New Mexico into Northern and Central California was completed and placed in commercial operation at the end of the year.

NEW SECURITIES aggregating \$158,904,000 par value were successfully marketed. This was the largest financing ever carried on by the Company in a single year.

THERE WAS A GAIN of 10,031 in the number of those participating in the ownership of the Company. At the year-end the Company had 170,498 stockholders of record.

HIGHER ELECTRIC RATES totaling \$8,800,000 on an annual basis were placed in effect April 15, 1950. This was our first increase in electric rates in thirty years.

AN APPLICATION was filed with the California Public Utilities Commission to increase gas rates \$18,275,000 annually, effective in 1951. In January 1951 the Commission established interim rates increasing revenues \$7,000,000 annually, effective February 18, 1951, pending completion of hearings and final action on the application.

NET EARNINGS for the common stock were \$2.62 per share, based on average shares outstanding, compared with abnormally low earnings of \$2.10 per share in the previous year.


President

PACIFIC GAS AND ELECTRIC COMPANY 245 MARKET STREET
SAN FRANCISCO 6, CALIFORNIA

A copy of our 1950 Annual Report to Stockholders will be supplied upon request to E. J. Beckett, Treasurer

Investment Research in Drug Companies

(Continued from page 85)

\$94 million. As one of the two largest manufacturers of pharmaceuticals, biological and vitamin products, Merck has won an outstanding reputation in the medical profession and a strong trade position at home and abroad. The company's research staff contributed much to the medical world last year by the synthesis of Cortisone (Compound E) and more recently by the synthesis of Compound F (Hydrocortisone). Limited commercial quantities of these cortical hormones have met with instant demand that will overstrain productive capacity until completion of a large new plant in 1952.

Merck took steps last year to broaden its activities through the acquisition of Marine Magnesium Products Corporation which derives from sea water a line of magnesium salts for use in phar-

maceutical preparations, paints, inks, rubber compounds, etc. Eventually, Merck may construct a medicinal plant on this newly acquired West Coast property.

On increased sales last year, operating income of Merck just about doubled, thereby absorbing a much increased tax burden and enabling net earnings to rise to \$11.2 million or \$4.46 a share compared with \$2.80 in 1949. For 15 years past, this company has paid dividends without interruption, and quarterly dividends of at least 50 cents a share should be expected in the current year. Merck stock deserves consideration as a growth equity.

Although production of organic acids and their compounds continues to expand the growth of century-old Charles Pfizer & Company, in recent years this concern has probably become the largest producer of antibiotics, including penicillin, streptomycin and, most importantly, its own famous drug Terramycin. The latter has proven effective in combatting more than 50 diseases, and its development

reached a stage permitting large scale production for the first time in 1950. While Terramycin was first made available in capsule form, throughout last year it was progressively offered in a number of various forms, such as an elixir, ointment, crystalline intravenous, and troches.

Growing World Demand

A growing worldwide demand for all of Pfizer's numerous specialties, especially Terramycin, enabled the company to attain record sales in 1950, volume rising to \$60.8 million for a gain of 27% over 1949. Last year's operating margin of 32.4%, in a highly competitive industry, attested to very good cost control and advantages derived from expanded and modernized facilities. Despite a rise in Federal and state income taxes to almost \$10 million (including \$710,000 EPT) from \$6.1 million in the preceding year, net income of \$9.8 million or \$6.60 per share was reported versus \$5.18 in 1949. Last year's earnings equalled

an Unbroken Record of dividends declared

Abbott Laboratories
NORTH CHICAGO, ILLINOIS

Manufacturing Pharmaceutical Chemists since 1888

TRADED 1929—Chicago Stock Exchange 1937—New York Stock Exchange

1949—San Francisco Stock Exchange 1949—Midwest Stock Exchange

3,739,814 Shares of Common Stock Outstanding
NO BONDED INDEBTEDNESS
NO PREFERRED STOCK

ANNUAL DIVIDENDS*

1950	● 1.85	
1949	● 1.80	← 1949—Adjusted on basis of 2-for-1 stock split
1948	● 3.40	
1947	● 3.25	
1946	● 2.87	← 1946—2-for-1 stock split and rights
1945	● 2.20	
1944	● 2.20	← 1944—rights voted
1943	● 2.00	
1942	● 1.90	
1941	● 2.15	
1940	● 2.15	
1939	● 2.05	← 1939—5% stock dividend and rights
1938	● 1.70	
1937	● 2.10	
1936	● 2.07	← 1936—3-for-1 stock split
1935	● 2.45	← 1935—33 1/3% stock dividend
1934	● 2.50	
1933	● 2.00	
1932	● 2.12	
1931	● 2.50	
1930	● 2.00	
1929	● 2.42	

*ON BASIS OF TOTAL NUMBER OF SHARES OUTSTANDING AT THE CLOSE OF EACH YEAR.

large 22.2% on invested capital, a good showing by any standard. While equally favorable earnings may not be attained in 1951, because of increased taxes, a prospect of larger sales should prevent much variation from last year. Dividends should at least continue at last year's rate of \$2.75 per share.

Sharp & Dohme

The 1951 outlook for Sharp & Dohme, a leading manufacturer of ethical drugs and prescription specialties, seems promising. Through active research, this company has developed many new products of medicinal value to humans as well as to animals, and it has been aggressive in promoting sales. In 1950, volume advanced to an all-time peak of \$42.1 million, with new products strongly supporting sales. In view of increased taxes, the management did well in reporting net earnings of \$4.27 per share compared with \$3.95 the year before. 18% was earned on sales and 17.4% on net worth, the latter notwithstanding peak capital employed.

In the annual report, it was predicted that the sales trend would accelerate this year, but the ratio of earnings to dollar volume will decrease, due to higher taxes and other costs. Since common dividends represent only about 47% of 1950 net earnings, the stability of the current 45 cents a share quarterly rate seems dependable.

Sterling Drug

The leading manufacturer of household remedies and proprietary products is Sterling Drug, Inc. 1950 net sales of \$138.7 million compared with \$134.2 million in 1949, the previous high mark. Medicinal preparations accounted for about 75% of total sales last year, household and toilet articles for 14% and industrial products for 11%. How strongly Sterling is established in world markets was shown by foreign sales of \$50.4 million in 1950, approximately 36% of total volume. The foreign trade picture improved materially last year; all of the company's major plants and offices overseas are located in the Latin-American republics and the British Empire.

Since the start of the Korean war, production of "Aralen" by Sterling Products has tripled to a yearly rate of 100 million tablets, and by next July should rise to 240 million. "Aralen" has been devel-

oped by the company as a greatly improved version of Atabrine, a valuable substitute for quinine in combatting malaria, the dread of all armies. While without Atabrine, the late war in the Pacific could hardly have been won, according to military authorities, the drug discolored the skin and had to be taken in large dosages. By the use of the new "Aralen," only one dose a week is needed for suppression, while five tablets over a short period will effect cures.

In 1950, Sterling Drug established an over-all operating mar-

Armco Steel Corporation Reports on 1950

THE YEAR IN BRIEF

	1950	1949
Net Sales and Other Revenues	\$444,298,724	\$349,049,521
Income for the Year	47,000,505	30,918,202
Net Earnings Per Share of Common Stock	11.76	7.68
Preferred Dividends	880,609	899,787
Common Dividends	15,701,546	9,767,996
Cash Dividends Per Share of Common Stock	4.00	2.50
Income Retained in the Business	30,418,350	20,250,419
Book Value Per Share of Common Stock at Year-end	53.08	45.46

FINANCIAL POSITION

Assets		
Total Current Assets	\$197,824,543	\$155,244,414
Investments—Net	16,428,663	13,379,972
Property, Plant and Equipment—Net	164,043,422	142,856,480
Prepaid Expenses	4,743,891	3,264,155
Total	\$383,040,519	\$314,745,021
Liabilities and Capital		
Total Current Liabilities	\$ 88,622,484	\$ 48,032,617
Long-term Debt (less current portion)	60,920,000	64,290,000
Operating Reserves	5,473,641	4,814,739
Net Worth	228,024,394	197,607,665
Total	\$383,040,519	\$314,745,021

A free copy of our complete 1950 Annual Report, which contains many interesting facts and figures concerning Armco Steel Corporation, will be sent to you on request.

ARMCO STEEL CORPORATION

Middletown, Ohio, with Plants and Sales Offices from Coast to Coast

The Armco International Corporation, World-Wide



gin of 18.2% on sales of hundreds of specialties, not only pharmaceuticals but also such well advertised items such as Bayer Aspirin, Phillips Milk of Magnesia, Fletcher's Castoria, Lyons Tooth Paste, etc. Although total income taxes rose to \$11 million last year from \$8.6 million in 1949, net profit of \$13.4 million or \$3.41 a share was attained compared with \$3.11 in the preceding year. In 1950, common stockholders received the largest dividends in the history of company, the total of \$2.50 per share consisting of quarterly divi-

dends of 50 cents and a year-end extra of 50 cents. Similar treatment may be accorded shareholders in the current year.

Drug shares generally have rather closed followed average market trends in recent months. For stable dividends and favorable long term appreciation potentials, sound equities in this group carry considerable appeal.

For Profit and Income

(Continued from page 95)

column knows. There is bound to be record volume ahead. Present earning power is probably around \$2 a share, and subject to some increase despite EPT. Dividends have been 70 cents annually for

the last two years. The present price of the stock on the New York Curb Exchange is 14 $\frac{1}{8}$, against 1951 high of 16 $\frac{3}{4}$ and 1949 low of 8 $\frac{3}{4}$. It is obviously quite speculative, but not without merit.

Phenomenon

It seems hard to believe that the present Electric Bond & Share stock sold at a high in 1929 equivalent to 568 $\frac{1}{8}$, allowing for a reverse split of one share for three in 1932; and that its 1932 high, on the same basis, of 48 has never since been equalled. In fact, the best subsequent level was 28 $\frac{1}{8}$ in 1937; and the best price of more recent years was 26 $\frac{3}{4}$ in 1946. Of course, this famous pyramid of the giddy 1920's suffered a series of major operations under the

Holding Company Act; and it is not yet in the clear. Its last major holding is in United Gas, which it seeks to keep but may well have to get rid of under final SEC and court orders. The stock's liquidating value is estimated to be in the vicinity of \$30 a share, against current market price of 21 $\frac{1}{4}$. Earning power is now around \$1 a share, largely from engineering management services, plus United Gas dividends. Whether the liquidating value can ever be realized is problematical, for this situation will remain more than a little snarled up for some time to come. Those who have been hung up in the stock for years do not have a great deal to bank on, in the view of this column.

Stable

During the last six years the stock of Beneficial Industrial Loan, one of the leading small-loan companies, has ranged between 18 $\frac{5}{8}$ and 26 $\frac{3}{4}$, against current price of 25 $\frac{3}{4}$. In the same period dividends have ranged between \$1.33 and last year's \$1.75. The business is characterized by a relatively high degree of stability. Earnings this year may be moderately under 1950's record \$3.08 a share, but should readily justify \$1.75 in dividends, yielding close to 6.9% return. The stock is a sound choice primarily for income-minded investors who dislike wide gyrations in price.

Leverage Factor in Common Stocks

(Continued from page 82)

company's operations are also very vulnerable to fluctuating prices for livestock. Because of this disadvantage, margins on huge and relatively stable sales may narrow incisively or actual inventory losses may be suffered at times. Thus volatile earnings, together with a basically high leverage arising from a pyramided capital structure, serve to establish wide swings in per share earnings.

To illustrate the situation with Armour, on sales of \$1.84 billion in fiscal 1949, product costs were so high that only a skimpy profit of \$558,000 was earned after all charges, including about \$4.4 million provision for interest. Profits in that year equalled only \$1.12

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue

April 12, 1951

1,000,000 Shares

Celanese Corporation of America

Preferred Stock, Series A

4 $\frac{1}{2}$ % Cumulative Dividends, Par Value \$100 per Share
(Convertible prior to May 1, 1961)

The Preferred Stock, Series A is being offered by the Corporation (a) for subscription on Warrants issued to Common Stockholders, at the rate of 6/35ths of a share of such Preferred Stock for each share of Common Stock, at the Subscription Price stated below (7% Second Preferred Stock will be accepted on subscriptions at \$150 per share), and (b), subject to such subscription offer, in exchange for 7% Second Preferred Stock on the basis of 1 $\frac{1}{2}$ shares of Preferred Stock, Series A for each share of 7% Second Preferred Stock, all as set forth in the prospectus. Preferred Stock, Series A may be offered by the underwriters as set forth in the prospectus.

Subscription Price To Warrant Holders
\$100 per share

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc.

Glore, Forgan & Co.

The First Boston Corporation

Merrill Lynch, Pierce, Fenner & Beane

Blyth & Co., Inc.

Goldman, Sachs & Co.

Harriman Ripley & Co.
Incorporated

Kidder, Peabody & Co.

Lazard Frères & Co.

Lehman Brothers

Smith, Barney & Co.

Stone & Webster Securities Corporation

White, Weld & Co.

Dean Witter & Co.

per share on the preferred stock that was entitled to \$6 cumulative dividends, consequently creating a deficit of 60 cents on the common stock. In fiscal 1950, although volume rose by a nominal 6%, improved cost-price relationships enabled Armour to earn about \$19 million or \$3.94 per share, representing a gain of 556.6% over the preceding year. In reflection of this improvement, the non-dividend paying common stock rose to a high of 125% earlier this year, from a low of 5 in 1949, showing how positive leverage action can influence market action.

American Airlines

The leverage factor of American Airlines adds speculative attraction to its common shares. At the end of 1950, this company's capital structure consisted of \$30 million 3% debentures, \$40 million 3 1/2% preferred stock and about 6.4 million shares of \$1 par common. After allowing for combined interest charges and preferred dividends of \$2.3 million, the percentage earned on the common tends to rise quite rapidly in good years, although of course it could indicate decline with equal speed in a poor period.

In 1950 when gross revenues of \$118.6 million rose to an all-time high for a gain of 14.8% above 1949, net earnings per share rose by 56.1%. As passenger traffic on this well situated cross country airline may continue to expand, as well as cargo carried, the company's gross revenues may continue to grow. In this event, the leverage on the equities could be substantial.

The element of leverage is quite noticeable with Goodyear Tire & Rubber Company, because of heavy overhead and the composition of the capital structure. This concern has outstanding \$159.6 million senior securities, including \$102.7 million funded debt and \$56.9 million preferred stock; annual interest and preferred dividends total \$7.2 million. If a present plan to issue an additional \$100 million debentures is approved, as seems likely, the provisions for senior charges and dividends will increase substantially this year. How effectively leverage helped to increase earnings on the equities last year is indicated by an 85.9% advance in per share earnings, although volume rose by only 33.4%.

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COMMON DIVIDEND

The Board of Directors has declared a quarterly dividend of seventy-five cents (75¢) per share on the Common Stock, payable May 15, 1951 to stockholders of record at the close of business April 27, 1951.

R. L. LINGELBACH
Secretary

April 3, 1951

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**Don't Miss
In Our Next Issue
AMERICAN PRODUCTIVE
POWER UNDERRATED?**

Another Look at the Railroads

(Continued from page 93)

about \$5.70 a share before regular corporate taxes. The company's heavy capitalization, outgrowth of the sale in 1947 of its car rental business, provided funds for purchases in recent years of its own stock, either through stock tenders or open market purchases. In the ten year period ended May 15, 1950, when the last stock buying program was terminated, the number of outstanding shares was reduced from 3,820,220 to 2,192,000.

Under present conditions it is doubtful that such stock purchases will be resumed. But the large capital funds remain, for effective exploitation in the company's business now and perhaps for renewed stock buying at some future date.

General American Transportation, which leases and manufactures express, refrigerator and special tank cars, has booked orders for new freight car construction to run through 1951 and into 1952. In addition to other regular lines of manufacturing, the company expects to start this summer on direct defense orders. Car leasing demand exceeds fleet capacity, although new cars are added as fast as possible. Virtually all of General American's operations are related in some way to the preparedness program.

Earnings last year slipped below the postwar average and no excess profits tax liability was incurred. But better earnings are anticipated for 1951 despite higher tax rates. Financing is facilitated through sale of low-interest equipment trust certificates against leased cars. This debt, plus other large capital funds of the company, should create a comfortable shelter against excess profits taxes this year.

American Locomotive has a backlog of \$180,000,000 of defense orders and \$107,000,000 of its regular products, bringing the total of unfilled orders to \$287,000,000 against \$50,000,000 a year ago. War work includes nickel-lined pipe and nickel plated parts for the Atomic Energy Commission, army tanks, gun mounts, tank springs and pres-

surized jet engine containers.

Excess profits taxes of \$555,000 accrued for 1950 suggests a credit of less than \$8,000,000 or about \$3.70 per share before regular corporate taxes of 47 per cent.

Baldwin-Lima-Hamilton has unfilled orders totaling \$215 million, of which a substantial part pertains to the newly-acquired Lima-Hamilton division. At the beginning of 1950, Baldwin alone had backlogs totaling \$50,361,584. The new company, outgrowth of a merger consummated last year, is now highly diversified. Products include locomotives, earth-moving machinery, diesel engines, large and medium sized mechanical presses, industrial and railroad machine tools, steam marine engines, etc. In addition to all this, the company has recently taken on substantial rearmament orders.

Baldwin's cash position at the year-end was not too strong, reflecting the rapid rise in inventories and receivables. However, the company would have no difficulty obtaining short-term credits if needed in view of its over-all financial strength. Redemption of all of the 7 per cent cumulative preferred stock last September cost the company \$3,105,320.

American Brake Shoe, blue chip of the industry, has unfilled orders of \$50.7 million, a new high record, compared with \$13,400,000 at the beginning of last year. Only 51.4 per cent of its 1950 output went to the railroads; the rest was sold to a score of other industries.

Aside from the fact that its client industries are diversified, Brake Shoe's stability also stems from the steady replacement demand for its products. Even when rail earnings are unsatisfactory, worn-out brake shoes must be replaced, whereas other equipment purchases can be (and usually are) postponed.

EPT Position

Vulnerability to excess profits tax is considerable—only \$5,600,000 or \$4.40 a share before regular corporate taxes can be earned before the super-tax is paid, according to present calculations.

While Brake Shoe's main role in war production will be as a manufacturer of railroad equipment, the company expects to make important quantities of shell forgings, components for tanks, guns, ships and aircraft, and

Adjust Your Investment Program

—To Take Advantage of New Investment Bargains

SUBSTANTIAL changes may be advisable in your security holdings—your investment policy—as individual companies are affected by allocations, controls, increased taxes, military orders, price adjustments. Now is the time to turn to The Investment and Business Forecast for specific advice on your stocks—which to hold—which to discard—and for a sound investment program fitted to today's conditions.

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Our weekly market forecast . . . with chart of daily action . . . projects the trends and basic forces at work.

Definite market advice is then given which you can apply to your independent holdings and to our recommendations. Included . . . with graphs . . . are Dow Theory Interpretations of Major and Intermediate Trends; also of our special Market - Support Indicator measuring supply and demand. The latter has been highly accurate in the past...and shows significant indications at this time.

2. Definite Advices on Intrinsically Sound Issues

All recommendations must meet our rigid evaluating factors in regard to: (a) Strategic position in a Mobilized Economy; (b) Financial Strength; (c) Proven Earning Power; (d) 6% to 7% Yields Amply Supported by Earnings. We also specialize in the selection of growth situations in Low-Priced Stocks for Large Percentage Gains. Technical as well as fundamental factors are carefully considered as it is our steadfast policy to have you strategically time your commitments. This overall analysis is fully applied to all selections . . . bonds and preferreds as well as common stocks.

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Securities selected are carried under our continuous supervision in specialized programs suited to your capital, wishes and objectives. There are three programs: (a) Stressing Security of Principal and Assured Income—with Appreciation; (b) Dynamic Securities for Capital Building with Higher Dividend Potentials; (c) Low-Priced Opportunities for Large Percentage Profits. Each program comprises a fixed number of securities and it is our aim to have you contract or expand your position as we anticipate pronounced market weakness or strength.

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EXTRA DIVIDEND

The directors of Daystrom, Incorporated (formerly ATF Incorporated) have declared an extra dividend of 50 cents a share, in addition to the regular quarterly dividend of 25 cents per share, both payable May 15, 1951, to holders of record April 27, 1951.

March 27, 1951

OPERATING UNITS

- ★ AMERICAN TYPE FOUNDERS
- ★ DAYSTROM ELECTRIC
- ★ DAYSTROM FURNITURE
- ★ DAYSTROM LAMINATES

Another Look At The Railroads

(Continued from page 114)

other items used directly in the rearmament program. None of this production will require any serious conversion of facilities.

New York Air Brake's backlog of unfilled orders comes to about \$14 million, equivalent to over six months shipments at recent delivery rates. This compares with a backlog of \$3,200,000 a year earlier.

Rising Order Backlogs

With the advent of fighting in Korea, the Government directly and through aircraft manufacturers, released orders in substantial volume for the company's hydraulic pumps. Backlog for future delivery of this equipment has reached an all-time high, and new facilities to increase manufacturing capacity are being installed. Certificates of Necessity permitting accelerated amortization will be obtained for most of these facilities, it is believed.

Prices of air brakes and parts were raised last August and another increase became effective in November, but the full effect of these will not be realized until this year.

The company expects to participate in the carbuilding program, as far as new brakes are concerned, and there should be steady replacement demand. At the end of 1950 the nation's railroads had completed the conversion to "AB" brakes, only about 9 per cent of the remaining cars having hold "K" type brakes. Most of these cars are expected to be scrapped or equipped with used "AB" brakes removed from scrapped cars. Few "AB" brakes for in-

stallation on old cars will be sold in the future, it is believed.

Union Tank Car expects to add 1,300 liquefied petroleum gas cars and 1,000 general use cars to its large fleet, the former to be built in its own shops. No excess profits tax was incurred in 1950 despite a healthy increase in earnings.

Pressed Steel Car incurred a deficit in 1950 because of lack of orders during most of the year. But the company's present backlog assures capacity operations of the freight car division through mid-1952. To protect its margin of profit, it has included escalator clauses in all its freight car contracts. Also, Pressed Steel Car has a \$10,000,000 Government order for processing and conditioning of military vehicles of all types.

Substantial Tax Cushion

Last year's net loss provides a loss carry-forward of about \$1,400,000 to apply against future earnings, plus an unused excess profits tax credit carry-forward from 1950, both of which should come in handy in the more profitable period which undoubtedly lies ahead.

Slump In Retail Trade Ahead?

(Continued from page 75)

Company, operating 1,612 junior department stores, attained a new high of \$949.7 million last year, an increase of 7.9%. Net earnings for 1950 were \$44.9 million or \$5.46 per share, despite increased income taxes and EPT. While inventories were higher by \$32.6 million than the year before, the management in March considered the increase sound because of existing consumer demand and buying power. This attitude might

be warranted, since merchandise offered by this concern is mainly low to medium priced, thus not broadly affected by consumer resistance. Stockholders of Penney may confidently expect 50 cents quarterly dividends and a liberal year-end extra.

The operations of Best & Company provide a good sample of merchandising high class apparel. Although volume declined 4.9% in the first half of last year, a recovery following Korea restricted the full year decline to about 1%. Higher prices, though, widened margins enough to fully absorb increased taxes and expand net earnings to \$3.40 per share as against \$3.29 the year before. The business of Best & Company is relatively stable, due to a well-to-do clientele. Dividends have been paid regularly since the company was incorporated in 1924. Quarterly dividends of 50 cents a share should continue to be paid.

S. S. Kresge Co.

S. S. Kresge Company has just completed its 39th profitable year as a variety chain operator with stores in 26 states and in six provinces of Canada. Total volume of \$294.8 million in 1950 was 2.14% above 1949. Earnings after all provisions for taxes increased 8.93%, resulting in a net per share of \$3.57 versus \$3.28 the preceding year.

This company enlarged its inventories considerably last year, with a percentage gain of 37%, a step considered necessary by the management to serve the needs of customers during a period of rising prices and high demand. Whereas at the end of 1949, inventories represented 11.4% of sales, at the end of 1950 the ratio was 15.3%. The moderately priced goods handled, though, minimize the risk of inventory losses, if prices tend to recede. Stability is indicated for the quarterly dividends of 50 cents a share, and a small year-end extra may be paid.

Comparative results of a number of leading merchandising concerns are listed in the appended tabulation with necessary exclusion of those whose annual reports had not yet been released at press time.

Their sales and earnings trends in general, however, are likely to follow the experience of the comparative concerns listed in the table, allowing for differentials usually existing.

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